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OPEN MEETING ITEM



CORPORATION COMMISSION

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JACK ROSE
EXECUTIVE SECRETARY

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41

July 24, 1998

To All Interested Parties:

RE-00000C-94-0165

Enclosed are the Commission Staff's transmittal memorandum and proposed order on the proposed emergency rulemaking regarding the Retail Electric Competition Rules (R14-2-1601 *et al.*). This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's proposed order.

This matter is scheduled for Commission deliberation at its Special Open Meeting on August 4, 1998, at 10:00 a.m., and for a Commission decision at either its Special Open Meeting on August 4, at 10:00 a.m., or its regular Open Meeting on August 5, 1998, at 10:00 a.m.

If you have any questions about this matter, please contact me at (602) 542-4251.

Sincerely,

Ray T. Williamson
Acting Director
Utilities Division

Enclosures

Arizona Corporation Commission

DOCKETED

JUL 24 1998

DOCKETED BY

MEMORANDUM

TO: THE COMMISSION

FROM: Utilities Division

DATE: July 24, 1998

RE: IN THE MATTER OF COMPETITION IN THE PROVISION OF ELECTRIC SERVICES THROUGHOUT THE STATE OF ARIZONA
(DOCKET NO. RE-00000C-94-0165)

On May 20, 1994, the Commission established Docket No. U-0000-94-165 to investigate the introduction of retail electric competition in Arizona. After the opening of that Docket, a number of activities were undertaken that included workshops, task forces, and requests for comments on draft rules. On October 10, 1996, the Commission, in Decision No. 59870, ordered that the Rule be forwarded to the Secretary of State for notice of proposed rulemaking. The Commission further ordered that public comment hearings be scheduled in Phoenix, Tucson, Yuma, Flagstaff and Kingman to solicit input on the proposed Rules.

On December 26, 1996, the Commission adopted Decision No. 59943, the provisions of which included the following major requirements:

- That regulated electric utilities phase-in retail electric competition;
- That certain services would be competitive, including generation, metering and meter reading, billing and collection services, information services, and transmission and ancillary services if doing so was consistent with Federal Energy Regulatory Commission requirements;
- That new companies intending to supply certain competitive electric services were required to obtain a Certificate of Convenience and Necessity from the Commission;
- That competition in the retail electric industry was to be phased in beginning in 1999, and that the industry would be completely open to competition by 2003;
- That incumbent utilities were required to provide two types of service: Standard Offer Service for those end users not in the competitive market and unbundled service;
- That stranded costs would be recoverable, subject to a mechanism determined by the Commission;
- That system benefits charges would be required to recover from participants in the competitive market certain costs imposed upon those not in the competitive market;

- That a solar portfolio would be established to encourage photovoltaics and solar thermal power generation;
- That various Working Groups be established to work with stakeholders and the public to refine the implementation detail of the rules prior to January 1, 1999.

Since the adoption of Decision No. 59943, Working Groups have met and issued reports containing recommendations for rule changes. Additionally, Staff has continued to meet with stakeholders and members of the public. On June 23, 1998, Staff circulated an amended set of rules for informal comment. On July 10, a second draft was similarly circulated. Public input sessions were held on July 15, 16, and 17, in Phoenix, Tucson, and Flagstaff, respectively.

The proposed rules contain the following major provisions:

Section R14-2-1601. Definitions.

This Section has been expanded to include new definitions necessitated by the other proposed amendments to the Rules.

Section R14-2-1602. Filing of Tariffs by Affected Utilities.

No change has been made to this Section.

Section R14-2-1603. Certificates of Convenience and Necessity.

The changes to this Section clarify that a Certificate of Convenience and Necessity (CC&N) is not necessary for those entities that self-aggregate, or combine all of their operations into one entity for purposes of purchasing power pursuant to R14-2-1604. The amendments further clarify that Affected (incumbent) Utilities are not required to apply for a CC&N, either during the transition period to competition (January 1, 1999 to January 1, 2001) or after full retail competition is in place after January 1, 2001. The amendments further clarify that affiliates of Affected Utilities would be required to apply for a CC&N.

Section R14-2-1604. Competitive Phases.

The proposed modifications to this Rule change the timetable for implementation of retail electric competition. As amended, the Rule would require that each Affected Utility make 20 percent of its 1995 system retail peak demand for competitive generation supply as of January 1, 1999. All customers of Affected Utilities with a non-coincident peak demand load of at least 1 MW, and all customers with a non-coincident single premise peak demand of 40 kWh that can be aggregated into a combined load of at least 1 MW are eligible for competitive electric services. Affected Utilities are also required to make competitive electric services available to at least one-half of one percent of its residential customers, and increase the number of customers each quarter thereafter, beginning January 1, 1999. Each Affected Utility is required to file a residential phase-in program with the Director of Utilities by September 15, 1998 and to file quarterly status reports.

The Rule also modifies the previous phase-in of competitive electric services to allow all customers to have access to competitive electric services on January 1, 2001.

Finally, the Rule is modified to require a report from each Affected Utility by September 15, 1998, detailing possible mechanisms to provide benefits, such as a rate reduction of 3-5% to those customers not eligible for competitive electric services.

R14-2-1605. Competitive Services.

The proposed modifications to this Section include clarifying that aggregation services are competitive and that self-aggregation services do not require a CC&N.

R14-2-1606. Services Required to be Made Available.

The proposed modifications to this Section include requiring Utility Distribution Companies (UDCs) to offer Standard Offer Service after all retail electric customers are eligible for competitive services on January 1, 2001. The amended Rule also establishes the UDC as the provider of last resort.

Finally, the rule is proposed to be amended to require that after January 1, 2001, UDCs serving Standard Offer customers must, except for spot market purchases, purchase the power to do so by competitive bid and that any contract for such power in excess of 12 months must contain a provision allowing the UDC to ratchet down its purchases.

R14-2-1607. Recovery of Stranded Cost of Affected Utilities.

The modifications to this Section generally incorporate Decision No. 60977 (dated June 22, 1998) on Stranded Cost recovery. (Section R14-2-1616 incorporates other provisions of the Decision.)

The proposed changes to Section R14-2-1607 would allow (not guarantee) Affected Utilities a reasonable opportunity to recover unmitigated stranded cost. Affected Utilities are still expected under the Rule to take reasonable, cost-effective steps to offset stranded costs.

Finally an amendment is proposed to require Affected Utilities to request Commission approval, prior to August 24, 1998, of distribution charges or other mechanisms to collect unmitigated stranded cost from customers that reduce or terminate service from the utility or who obtain lower rates from the utility as a direct result of competitive services being offered.

R14-2-1608. Systems Benefits Charges.

The only proposed changes to this Rule requires that a Systems Benefits Charge be paid by all participants in the competitive market, include a requirement that Affected Utilities or UDCs file for review of the Systems Benefits Charge every three years and the addition of nuclear fuel disposal (in addition to nuclear power plant decommissioning) charges to those charges included in the Systems Benefits Charge.

R14-2-1609. Solar Portfolio Standard.

A solar portfolio is established to encourage photovoltaics and solar thermal power generation. During the period January 1, 1999 through December 31, 2001, at least one-half of one percent of the total retail energy sold competitively must come from photovoltaic or solar thermal generation resources installed after January 1, 1997. After December 31, 2001, the percentage increases to one percent.

To encourage an early start for solar generation, a variety of extra credit multipliers are set forth that may be used by providers to meet the standard. Those extra credit multipliers are for: early installation; solar electric power plants installed in Arizona; solar electric power plants whose content comes from Arizona; certain distributed solar electric generators. Additionally, solar generation installed to meet the Solar Portfolio Standard will count toward meeting the renewable resource goals of the Integrated Resource Planning Order (Decision No. 58643).

Providers failing to meet the targets set forth in this Section are subject to a penalty of \$.30 for each kWh they fall short of the standard. Any monies accruing as the result of this penalty would be deposited in a newly established fund, the proceeds from which would be administered by an independent entity and used to purchase solar electric generation or solar electricity for public entities such as state, county, or city entities, or school districts.

R14-2-1610. Transmission and Distribution Access.

This Section of the Rules requires that Affected Utilities provide non-discriminatory access to transmission and distribution facilities. Additionally, it contains a policy statement by the Commission that the Commission supports the development of an Independent System Operator (ISO) or, at a minimum, an Independent System Administrator (ISA).

R14-2-1611. In-State Reciprocity.

In this Section, the Rules state that the service territories of Arizona electric utilities that are not Affected Utilities are not open to competition and that those "non-Affected Utilities" are not eligible to compete for customers in the service territory of Affected Utilities. However, Arizona electric utilities that are not Affected Utilities may compete in the service territories of Affected Utilities if the "non-Affected Utility" allows reciprocity and opens its service territory to competition.

R14-2-1612. Rates.

This Section sets forth the parameters of allowable rates for competitive services, stating that tariffs must be filed containing rates, subject to Commission approval. The rates may be set at a maximum level, subject to discount. However, rates would not be allowed to be discounted below cost. Increases in maximum rates would also have to be approved by the Commission.

R14-2-1613. Service Quality, Consumer Protection, Safety, and Billing Requirements.

This Section provides consumer protections against "slamming" (the unauthorized changing of providers). Additionally, all providers of electric service are required to meet all applicable reliability standards. In the area of consumer protection, an Electric Service Provider is also required to provide at least 45 days notice of its intent to cease providing service to a given customer. Finally, this particular rule sets forth the various metering protocols.

R14-2-1614. Reporting Requirements.

This section of the rules is little changed from the existing rule adopted in 1996. It generally covers the reports required to be filed by Affected Utilities, Utility Distribution Companies, and Electric Service Providers. The only additions to the rule are the addition of the number of customers aggregated and the aggregated load, and certain changes to conform to other modifications to the rules.

R14-2-1615. Administrative Requirements.

There are no significant changes to this Section of the existing Rules.

R14-2-1616. Separation of Monopoly and Competitive Services.

This is a new Section of the rules that requires competitive generation assets to be separated from an Affected Utility by January 1, 2001. An Affected Utility may either transfer the competitive generation assets or services to an affiliate or an unaffiliated third party. The Rules provide that the Commission may determine a fair and reasonable value if a transfer is made to an affiliate.

The proposed Rule also provides that an Affected Utility or Utility Distribution Company may not provide competitive services except as otherwise provided in the Rule. The Rule does allow an Affected Utility or Utility Distribution Company to bill (technically a competitive service) its own customers for distribution service or for providing billing services to ESPs in conjunction with billing for its own service.

Finally, the proposed rule exempts electric distribution cooperatives so long as the cooperative is not offering competitive services outside of the service territory it has as of the effective date of the Rules.

R14-2-1617. Affiliate Transactions.

Since R14-2-1616 requires the separation of certain assets and services from Affected Utilities or UDCs, and those assets may be transferred to affiliates, certain safeguards are necessary to ensure that ratepayers of remaining monopoly entities are not disadvantaged in any way by the actions of affiliates of the monopoly enterprises.

The proposed Rules requires, among other items, separation of books and records, a prohibition against sharing office space, equipment, or services without full compensation as provided in the rule, prohibitions against transfer of information, prohibitions against an affiliate's use of an Affected Utility's or UDC's logo in advertising, prohibitions against joint marketing, and prohibitions against sharing of employees and corporate officers and directors.

The proposed Rule requires that, beginning December 31, 1998, each Affected Utility or UDC file a compliance plan setting forth the procedures it will follow to ensure that the Rule is followed. The plan will be subject to the approval of the Director of Utilities, but will be considered to be effective until that review takes place. Annual updates to reflect material changes are required. Additionally, a performance audit, done by an outside auditor, is required annually until the year 2002. After that time, the Director of Utilities may request an audit.

R14-2-1618. Disclosure of Information.

This addition to the existing Rules requires that each customer with a demand of less than 1MW be provided with certain information so that they can make comparisons among competing suppliers and decide which supplier's product best meets their needs.

Section 1618 also requires that each entity prepare a statement of its terms and conditions of service and requires that certain basic information be included.

These modifications to the existing rules represent the culmination of over four years of work that included all of the stakeholders in the process. Staff believes that the proposed Rules will benefit Arizona consumers by: creating customer choice among energy suppliers; customizing energy services to customer needs; stimulating innovation in technology; encouraging energy efficiency; and driving price to cost. Staff further believes that these benefits are achievable while limiting the adverse financial impacts of competition on utilities; maintaining system reliability; promoting solar resources; and protecting important public programs.

Due to the need to adhere to the originally approved deadline date of January 1, 1999 for the beginning of competitive services, and the need for the stakeholders to make the necessary preparations for this date, Staff recommends approval of the proposed Rules on an emergency basis.

R14-2-201 et seq. Electric Utilities.

Various conforming changes are proposed for the existing Rules governing electric utilities.

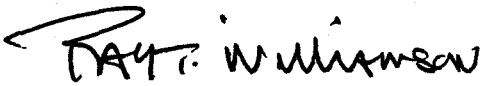
THE COMMISSION

July 24, 1998

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Finally, Staff recommends that the Commission adopt these rules as an emergency measure. The January 1, 1999 transition deadline has been in place since late 1996, and a number of stakeholders have relied upon that deadline. In addition, the Arizona legislature recently passed legislation that requires SRP to phase in retail electric competition beginning January 1, 1999. Fairness and efficiency in the transition to competition will be promoted by maintaining the original transition date, which coincides with the transition date applicable to SRP. Different implementation deadlines will only create confusion.

Furthermore, the question at this point is not whether competition will occur on January 1, 1999: both the Commission's Rules and the legislation adopt the same transition date. Instead, we are concerned with providing guidance so that the transition may be orderly and understandable for consumers, fair and efficient for all market participants, and consistent with continued system reliability. Uncertainty as to how the transition to competition will be structured may particularly impact system reliability. For that reason, it is desirable to resolve these remaining details as quickly as possible so that industry stakeholders may arrange their affairs accordingly. The safe, efficient, and reliable provision of electric service is clothed with the public interest, and the details resolved by the proposed Rules further those interests. For these reasons, it is necessary for the Commission to adopt these Rules as an emergency measure.



Ray T. Williamson
Acting Director
Utilities Division

RTW:lhk/PAB

ORIGINATOR: Ray T. Williamson

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JIM IRVIN
3 COMMISSIONER-CHAIRMAN
4 RENZ D. JENNINGS
5 COMMISSIONER
6 CARL J. KUNASEK
7 COMMISSIONER

8 IN THE MATTER OF THE COMPETITION)
9 IN THE PROVISION OF ELECTRIC)
10 SERVICES THROUGHOUT THE STATE)
11 OF ARIZONA)

DOCKET NO. RE-00000C-94-0165

DECISION NO. _____

ORDER

12 Open Meeting
13 August 4 and 5, 1998
14 Phoenix, Arizona

15 **FINDINGS OF FACT**

16 1. On July 24, 1998, the Arizona Corporation Commission staff ("Staff") forwarded to the
17 Commission proposed revisions to rules R14-2-203, -204, -208 through -211, and -1601, -1603 through
18 -1616. Staff also filed proposed rules R14-2-1617 and -1618.

19 2. Taken together, these proposed rules and revisions comprise the rulemaking amendments
20 necessary to implement the first phase of retail electric competition in Arizona by January 1, 1999. These
21 proposed rules and revisions are attached as Attachment A.

22 3. In Decision No. 59943, entered on December 26, 1996, the Commission enacted R14-2-
23 1601 through -1616, the electric competition rules. These rules established a schedule in order to phase
24 in retail electric competition beginning January 1, 1999.

25 4. Several incumbent electric providers have expressed concerns that the original rules create
26 an unworkable schedule for the phase-in to competition. Specifically, several electric utilities have
27 claimed that allowing large numbers of residential and small commercial customers to access competitive
28 services will be difficult to implement by January 1, 1999.

5. The proposed revisions to the rules alter the phase-in schedule to accommodate the
incumbent utilities' concerns.

6. Staff recommends that the Commission adopt these rules as an emergency measure. The
January 1, 1999 transition deadline has been in place since late 1996, and a number of stakeholders have

1 relied upon that deadline. In addition, the Arizona legislature recently passed legislation that requires
2 SRP to phase in retail electric competition beginning January 1, 1999.

3 7. In order to promote the development of competition, it is desirable for the transition
4 schedule to begin on the same date. Fairness and efficiency in the transition to competition will be
5 promoted by maintaining the original transition date, which coincides with the transition date applicable
6 to SRP.

7 8. These rule revisions will provide guidance so that the transition may be orderly and
8 understandable for consumers, fair and efficient for all market participants, and consistent with continued
9 system reliability.

10 9. Uncertainty as to how the transition to competition will be structured may particularly
11 impact system reliability. For that reason, it is desirable to resolve any remaining details as quickly as
12 possible so that industry stakeholders may arrange their affairs accordingly.

13 10. The safe, efficient, and reliable provision of electric service is clothed with the public
14 interest, and the details resolved by the proposed rules further those interests. Due to the need to adhere
15 to the originally approved deadline of January 1, 1999 and to enable all stakeholders to make the
16 necessary preparations for this date, the proposed rules and revisions are necessary as an emergency
17 measure.

18 CONCLUSIONS OF LAW

19 1. The Commission has authority for the proposed rules, set forth in Attachment A, pursuant
20 to the Arizona Constitution, Article XV, under A.R.S. §§ 40-202, -203, -250, -321, -322, -331, -332, -
21 336, -361, -365, -367, and under the Arizona Revised Statutes, Title 40, generally.

22 2. Adoption of the proposed rules on an emergency basis is necessary for the immediate
23 preservation of the public health, safety and welfare, and notice and participation requirements are
24 impracticable.

25 3. Adoption of the proposed rules on a permanent basis is in the public interest.

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ORDER

THEREFORE, IT IS ORDERED that the proposed rules R14-2-203, -204, -208 through -211, R 14-2-1603 through -1616 and -1617 and -1618, as set forth in Attachment A, are hereby adopted on an emergency basis.

IT IS FURTHER ORDERED that the proposed rules R14-2-203, -204, -208 through -211, R 14-2-1603 through -1616 and -1617 and -1618, as set forth in Attachment A, be forwarded to the Office of the Secretary of State for Notice of Emergency Rulemaking and Notice of Proposed Rulemaking.

IT IS FURTHER ORDERED that the Hearing Division schedule oral proceedings on this matter on or after September 28, 1998.

IT IS FURTHER ORDERED that this decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION_____
COMMISSIONER-CHAIRMAN_____
COMMISSIONER_____
COMMISSIONER

IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 1998.

JACK ROSE
EXECUTIVE SECRETARY

DISSENT _____
JW/jes

1 Original and ten copies of the
2 foregoing filed this 24th day of
July, 1998 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
Phoenix, Arizona 85007

6 Copy of the foregoing mailed
7 this 24th day of July, 1998
to all participants in Docket
No. RE-00000C-94-0165.

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS
AND ASSOCIATIONS; SECURITIES REGULATION
CHAPTER 2. CORPORATION COMMISSION – FIXED UTILITIES
ARTICLE 2. ELECTRIC UTILITIES**

Section

- R14-2-203. Establishment of service
- R14-2-204. Minimum customer information requirements
- R14-2-208. Provision of service
- R14-2-209. Meter reading
- R14-2-210. Billing and collection
- R14-2-211. Termination of service

R14-2-203. Establishment of service

A. No change.

B. Deposits

1. A utility shall not require a deposit from a new applicant for residential service if the applicant is able to meet any of the following requirements:
 - a. The applicant has had service of a comparable nature with the utility ~~at another service location~~ within the past two years and was not delinquent in payment more than twice during the last 12 consecutive months or disconnected for nonpayment.
 - b. The applicant can produce a letter regarding credit or verification from an electric utility where service of a comparable nature was last received which states applicant had a timely payment history at time of service discontinuance.
 - c. In lieu of a deposit, a new applicant may provide a Letter of Guarantee from a governmental or non-profit entity ~~an existing customer with service and acceptable to the utility~~ or a surety bond as security for the utility.
2. The utility shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit which is reflected on the utility's records.
3. Deposits shall be interest bearing; the interest rate and method of calculation shall be filed with and approved by the Commission in a tariff proceeding.
4. Each utility shall file a deposit refund procedure with the Commission, subject to Commission review and approval during a tariff proceeding. However, each utility's refund policy shall include provisions for residential deposits and accrued interest to be refunded or letters of guarantee or surety bonds to expire after 12 months of service if the customer has not been delinquent more than twice in the

payment of utility bills.

5. A utility may require a residential customer to establish or reestablish a deposit if the customer becomes delinquent in the payment of 2 ~~three or more~~ bills within a 12 consecutive month period or has been disconnected for service during the last 12 months.
6. The amount of a deposit required by the utility shall be determined according to the following terms:
 - a. Residential customer deposits shall not exceed two times that customer's estimated average monthly bill.
 - b. Nonresidential customer deposits shall not exceed two and one-half times that customer's estimated maximum monthly bill.
7. The utility may review the customer's usage after service has been connected and adjust the deposit amount based upon the customer's actual usage.
8. A separate deposit may be required for each meter installed.

C. No change.

D. Service establishments, re-establishments or reconnection charge

1. Each utility may make a charge as approved by the Commission for the establishment, reestablishment, or reconnection of utility services, including transfers between Electric Service Providers.
2. Should service be established during a period other than regular working hours at the customer's request, the customer may be required to pay an after-hour charge for the service connection. Where the utility scheduling will not permit service establishment on the same day requested, the customer can elect to pay the after-hour charge for establishment that day or his service will be established on the next available normal working day.
3. For the purpose of this rule, the definition of service establishments are where the

customer's facilities are ready and acceptable to the utility and the utility needs only to install a meter, read a meter, or turn the service on.

4. Service establishments with an Electric Service Provider will be scheduled for the next regular meter read date if the direct access service request is processed 15 calendar days prior to that date and appropriate metering equipment is in place. The utility may offer after-hours or earlier service for a fee.

E. No change.

R14-2-204. Minimum customer information requirements

A. Information for residential customers

1. A utility shall make available upon customer request not later than 60 days from the date of request a concise summary of the rate schedule applied for by such customer. The summary shall include the following:
 - a. The monthly minimum or customer charge, identifying the amount of the charge and the specific amount of usage included in the minimum charge, where applicable.
 - b. Rate blocks, where applicable.
 - c. Any adjustment factor(s) and method of calculation.
2. The utility shall to the extent practical identify its ~~the~~ tariff that is most advantageous to the customer and notify the customer of such prior to service commencement.
3. In addition, a utility shall make available upon customer request, not later than 60 days from date of service commencement, a concise summary of the utility's tariffs or the Commission's rules and regulations concerning:
 - a. Deposits
 - b. Termination of service
 - c. Billing and collection

d. Complaint handling.

4. Each utility upon request of a customer shall transmit a written statement of actual consumption by such customer for each billing period during the prior 12 months unless such data is not reasonably ascertainable.
5. Each utility shall inform all new customers of their right to obtain the information specified above.

B. No change.

R14-2-208. Provision of Service

A. Utility responsibility

1. Each utility shall be responsible for the safe transmission and/or distribution of electricity until it passes the point of delivery to the customer.
2. The Utility having control of the meter ~~Each utility~~ shall be responsible for maintaining in safe operating condition all meters, equipment and fixtures installed on the customer's premises by the utility for the purposes of delivering utility service to the customer.
3. The utility may, at its option, refuse service until the customer has obtained all required permits and/or inspections indicating that the customer's facilities comply with local construction and safety standards.

B. No change.

C. No change.

D. No change.

E. No change.

F. No change.

R14-2-209. Meter Reading

A. Company or customer meter reading

1. Each utility may at its discretion allow for customer reading of meters.
2. It shall be the responsibility of the utility to inform the customer how to properly read his or her meter.
3. Where a customer reads his or her own meter, the utility will read the customer's meter at least once every six months.
4. The utility shall provide the customer with postage-paid cards or other methods to report the monthly reading to the utility.
5. Each utility shall specify the timing requirements for the customer to submit his or her monthly meter reading to conform with the utility's billing cycle.
6. Where the Electric Service Provider is responsible for meter reading, reads will be available for the Affected Utility's billing cycle for that customer, or as otherwise agreed upon by the Electric Service Provider and Affected Utility.
- ~~6.7.~~ In the event the customer fails to submit the reading on time, the utility may issue the customer an estimated bill.
8. In the event the Electric Service Provider responsible for meter reading fails to deliver reads within 3 days of the scheduled cycle read date, the affected meters may be read by the Affected Utility at a charge to the Electric Service Provider or the reads may be estimated.
- ~~7.9.~~ Meters shall be read monthly on as close to the same day as practical.

B. Measuring of service

1. All energy sold to customers and all energy consumed by the utility, except that sold according to fixed charge schedules, shall be measured by commercially acceptable measuring devices owned and/or maintained by the utility, except where it is impractical to install meters, such as street lighting or security lighting,

or where otherwise authorized by the Commission.

2. When there is more than one meter at a location, the metering equipment shall be so tagged or plainly marked as to indicate the circuit metered or metering equipment.
3. Meters which are not direct reading shall have the multiplier plainly marked on the meter.
4. All charts taken from recording meters shall be marked with the date of the record, the meter number, customer, and chart multiplier.
5. Metering equipment shall not be set "fast" or "slow" to compensate for supply transformer or line losses.

C. Customer requested rereads

1. Each utility shall at the request of a customer or entity reread that customer's meter within ten working days after such request by the customer or entity.
2. Any reread may be charged to the customer or entity at a rate on file and approved by the Commission, provided that the original reading was not in error.
3. When a reading is found to be in error, the reread shall be at no charge to the customer or entity.

D. Access to customer premises

~~4.~~ Each utility shall have the right of safe ingress to and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with ~~the utility's~~ property used in furnishing service and the exercise of any and all rights secured to it by law or these rules.

E. No change.

F. Customer or entity requested meter tests

~~4.~~ A utility shall test a meter upon customer or entity request, and each utility shall be authorized to charge the customer or entity for such meter test according to the tariff on file and approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter

testing fee will be charged to the customer or entity.

R14-2-210. Billing and collection

A. Frequency and estimated bills

1. Unless otherwise approved by the Commission, the utility shall render a bill for each billing period to every customer in accordance with its applicable rate schedule and may offer billing options for the services rendered. Meter readings shall be scheduled for periods of not less than 25 days without customer authorization or more than 35 days. If the utility changes a meter reading route or schedule resulting in a significant alteration of billing cycles, notice shall be given to the affected customers.
- ~~1. Each utility shall bill monthly for services rendered. Meter readings shall be scheduled for periods of not less than 25 days or more than 35 days.~~
2. Each billing statement rendered by the utility shall be computed on the actual usage during the billing period. If the utility is unable to obtain an actual reading, the utility may estimate the consumption for the billing period giving consideration the following factors where applicable:
 - a. The customer's usage during the same month of the previous year.
 - b. The amount of usage during the preceding month.
- ~~2. If the utility is unable to read the meter on the scheduled meter read date, the utility will estimate the consumption for the billing period giving consideration to the following factors where applicable:~~
 - ~~a. The customer's usage during the same month of the previous year.~~
 - ~~b. The amount of usage during the preceding month.~~
3. Estimated bills will be issued only under the following conditions unless otherwise approved by the Commission:
 - a. When extreme weather conditions, emergencies, or work stoppages

- prevent actual meter readings.
- b. Failure of a customer who reads his own meter to deliver his meter reading to the utility in accordance with the requirements of the utility billing cycle.
 - c. When the utility is unable to obtain access to the customer's premises for the purpose of reading the meter, or in situations where the customer makes it unnecessarily difficult to gain access to the meter, that is, locked gates, blocked meters, vicious or dangerous animals, etc. If the utility is unable to obtain an actual reading for these reasons, it shall undertake reasonable alternatives to obtain a customer reading of the meter.
 - d. Due to customer equipment failure, a 1-month estimation will be allowed. Failure to remedy the customer equipment condition will result in penalties as imposed by the Commission.
3. ~~After the second consecutive month of estimating the customer's bill for reasons other than severe weather, the utility will attempt to secure an accurate reading of the meter.~~
4. After the third consecutive month of estimating the customer's bill, due to lack of meter access, the Meter Reading Service Provider will attempt to secure an accurate reading of the meter. Failure on the part of the customer to comply with a reasonable request for meter access may lead to discontinuance of service.
4. ~~Failure on the part of the customer to comply with a reasonable request by the utility for access to its meter may lead to the discontinuance of service.~~
5. A utility may not render a bill based on estimated usage if:
- a. The estimating procedures employed by the utility have not been approved by the Commission.
 - b. The billing would be the customer's first or final bill for service.

- c. If the customer is a direct access customer requiring load data.
 - 5. ~~Estimated bills will be issued only under the following conditions:~~
 - a. ~~Failure of a customer who read his own meter to deliver his meter reading card to the utility in accordance with the requirements of the utility billing cycle.~~
 - b. ~~Severe weather conditions which prevent the utility from reading the meter.~~
 - e. ~~Circumstances that make it dangerous or impossible to read the meter, i.e., locked gates, blocked meters, vicious or dangerous animals, etc.~~
 - 6. When a utility renders an estimated bill in accordance with these rules, it shall:
 - a. Maintain accurate records of the reasons therefore and efforts made to secure an actual reading;
 - b. Clearly and conspicuously indicate that it is an estimated bill and note the reason for its estimation;
 - c. Use customer supplied meter readings, whenever possible, to determine usage.
 - 6. ~~Each bill based on estimated usage will indicate that it is an estimated bill.~~
- B. Combining meters minimum bill information**
- 1. Each meter at a customer's premise will be considered separately for billing purposes, and the readings of two or more meters will not be combined unless otherwise provided for in the utility's tariffs. This provision does not apply in the case of aggregation as described in R14-2-1601.
 - 2. Each bill for residential service will contain the following minimum information:
 - a. The beginning and ending meter readings of the billing period, the dates thereof, and the number of days in the billing period;
 - a. ~~Date and meter reading at the start of billing period or number of days in~~

- ~~the billing period~~
- b. The date when the bill will be considered due and the date when it will be delinquent, if not the same;
 - b. ~~Date and meter reading at the end of the billing period~~
 - c. Billing usage, demand, basic monthly service charge and total amount due;
 - e. ~~Billed usage and demand~~
 - d. Rate schedule number or service offer;
 - e. Customer's name and service account number;
 - e. ~~Utility telephone number~~
 - f. Any previous balance;
 - f. ~~Customer's name~~
 - g. Fuel adjustment cost, where applicable;
 - g. ~~Service account number~~
 - h. License, occupation, gross receipts, franchise and sales taxes;
 - h. ~~Amount due and due date~~
 - i. The address and telephone numbers of the Electric Service Provider, and/or the Utility Distribution Company designating where the customer may initiate an inquiry or complaint concerning the bill or services rendered;
 - i. ~~Past due amount~~
 - j. The Arizona Corporation Commission address and toll free telephone numbers;
 - j. ~~Adjustment factor, where applicable~~
 - k. Other unbundled rates and charges.
 - k. ~~Taxes~~

~~1. The Arizona Corporation Commission and address, thereof.~~

C. Billing terms

1. All bills for utility services are due and payable no later than 15 days from the date of the bill. Any payment not received within this time frame shall be considered delinquent and could incur a late payment charge.
- ~~1. All bills for utility services are due and payable no later than ten days from the date the bill is rendered. Any payment not received within this time frame shall be considered past due.~~
2. For purposes of this rule, the date a bill is rendered may be evidenced by:
 - a. The postmark date;
 - b. The mailing date;
 - c. The billing date shown on the bill (however, the billing date shall not differ from the postmark or mailing date by more than 2 days);
 - d. The transmission date for electronic bills.
3. All delinquent bills shall be subject to the provisions of the utility's termination procedures.
- ~~3. All past due bills for utility services are due and payable within 15 days. Any payment not received within this time frame shall be considered delinquent.~~
4. All payments shall be made at or mailed to the office of the utility or to the utility's authorized payment agency. The date on which the utility actually receives the customer's remittance is considered the payment date.
- ~~4. All delinquent bills for which payment has not been received within five days shall be subject to the provisions of the utility's termination procedures.~~
- ~~5. All payments shall be made at or mailed to the office of the utility or to the utility's duly authorized representative.~~

D. Applicable tariffs, prepayment, failure to receive, commencement date, taxes

1. Each customer shall be billed under the applicable tariff indicated in the customer's application for service.
2. Each utility shall make provisions for advance payment of utility services.
3. Failure to receive bills or notices which have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.
4. Charges for electric service commence when the service is actually installed and connection made, whether used or not. A minimum one-month billing period is established on the date the service is installed (excluding landlord/utility special agreements).
4. ~~Charges for utility service commence when the service is actually installed and connection made, whether used or not.~~
5. Charges for services disconnected after one month shall be prorated back to the customer of record.

E. Meter error corrections

1. The utility may test a meter upon customer request and each utility shall be authorized to charge the customer for such meter test according to the tariff on file approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter testing fee may be charged to the customer. If the meter is found to be more than 3% in error, either fast or slow, the correction of previous bills will be made under the following terms allowing the utility to recover or refund the difference:
 - a. If the date of the meter error can be definitely fixed, the utility shall adjust the customer's billings back to that date. If the customer has been underbilled, the Company will allow the customer to repay this difference

over an equal length of time that the underbillings occurred. The customer may be allowed to pay the backbill without late payment penalties, unless there is evidence of meter tampering or energy diversion.

b. If it is determined that the customer has been overbilled and there is no evidence of meter tampering or energy diversion, the Company will make prompt refunds in the difference between the original billing and the corrected billing within the next billing cycle.

~~1. If any meter after testing is found to be more than 3% in error, either fast or slow, proper correction between 3% and the amount of the error shall be made of previous readings and adjusted bills shall be rendered according to the following terms:~~

~~a. For the period of three months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last tested, but not exceeding three months since the meter shall have been shown to be in error by such test.~~

~~b. From the date the error occurred, if the date of the cause can be definitely fixed.~~

2. No adjustment shall be made by the utility except to the customer last served by the meter tested.

3. Any underbilling resulting from a stopped or slow meter, utility meter reading error, or a billing calculation shall be limited to 3 months for residential customers and 6 months for non-residential customers. However, if an underbilling by the Affected Utility occurs due to inaccurate, false or estimated information from a third party, then that Affected Utility will have a right to back bill that third party to the point in time that may be definitely fixed, or 12 months. No such limitation will apply to overbillings.

F. Insufficient funds (NSF) or returned checks

1. A utility shall be allowed to recover a fee, as approved by the Commission in a tariff proceeding, for each instance where a customer tenders payment for utility service with a check which is returned by the customer's bank.
- ~~1. A utility shall be allowed to recover a fee, as approved by the Commission in a tariff proceeding, for each instance where a customer tenders payment for utility service with an insufficient funds check.~~
2. When the utility is notified by the customer's bank that the check tendered for utility service will not clear, the utility may require the customer to make payment in cash, by money order, certified check, or other means to guarantee the customer's payment to the utility.
- ~~2. When the utility is notified by the customer's bank that there are insufficient funds to cover the check tendered for utility service, the utility may require the customer to make payment in cash, by money order, certified check, or other means which guarantee the customer's payment to the utility.~~
3. A customer who tenders such a check shall in no way be relieved of the obligation to render payment to the utility under the original terms of the bill nor defer the utility's provision of termination of service for nonpayment of bills.
- ~~3. A customer who tenders an insufficient check shall in no way be relieved of the obligation to render payment to the utility under the original terms of the bill nor defer the utility's provision for termination of service for nonpayment of bills.~~

G. Levelized billing plan

1. Each utility may, at its option, offer its residential customers a levelized billing plan.
2. Each utility offering a levelized billing plan shall develop, upon customer request, an estimate of the customer's levelized billing for a 12-month period based upon:

- a. Customer's actual consumption history, which may be adjusted for abnormal conditions such as weather variations.
 - b. For new customers, the utility will estimate consumption based on the customer's anticipated load requirements.
 - c. The utility's tariff schedules approved by the Commission applicable to that customer's class of service.
 3. The utility shall provide the customer a concise explanation of how the levelized billing estimate was developed, the impact of levelized billing on a customer's monthly utility bill, and the utility's right to adjust the customer's billing for any variation between the utility's estimated billing and actual billing.
 4. For those customers being billed under a levelized billing plan, the utility shall show, at a minimum, the following information on their ~~the customer's~~ monthly bill:
 - a. Actual consumption
 - b. Dollar aAmount due for actual consumption
 - c. Levelized billing amount due
 - d. Accumulated variation in actual versus levelized billing amount.
 5. The utility may adjust the customer's levelized billing in the event the utility's estimate of the customer's usage and/or cost should vary significantly from the customer's actual usage and/or cost; such review to adjust the amount of the levelized billing may be initiated by the utility or upon customer request.
- H. Deferred payment plan**
1. Each utility may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for utility service.
 2. Each deferred payment agreement entered into by the utility and the customer shall provide that service will not be discontinued if:

- ~~2. Each deferred payment agreement entered into by the utility and the customer due to the customer's inability to pay an outstanding bill in full shall provide that service will not be discontinued if:~~
 - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement.
 - b. Customer agrees to pay all future bills for utility service in accordance with the billing and collection tariffs of the utility.
 - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six months.
3. For the purposes of determining a reasonable installment payment schedule under these rules, the utility and the customer shall give consideration to the following conditions:
 - a. Size of the delinquent account
 - b. Customer's ability to pay
 - c. Customer's payment history
 - d. Length of time that the debt has been outstanding
 - e. Circumstances which resulted in the debt being outstanding
 - f. Any other relevant factors related to the circumstances of the customer.
4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the utility's scheduled termination date for nonpayment of bills. The customer's failure to execute such an agreement prior to the termination date will not prevent the utility from disconnecting service for nonpayment.
- ~~4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the utility's scheduled termination date for nonpayment of bills; customer failure to execute a deferred payment agreement~~

~~prior to the scheduled termination date shall not prevent the utility from discontinuing service for non payment.~~

5. Deferred payment agreements may be in writing and may be signed by the customer and an authorized utility representative.
6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding.
7. If a customer has not fulfilled the terms of a deferred payment agreement, the utility shall have the right to disconnect service pursuant to the utility's termination of service rules, ~~and~~, Under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.

I. Change of occupancy

1. To order service discontinued or to change occupancy, the customer must give the utility at least 3 working days advance notice in person, in writing, or by telephone.
1. ~~Not less than three working days advance notice must be given in person, in writing, or by telephone at the company's office to discontinue service or to change occupancy.~~
2. The outgoing customer ~~party~~ shall be responsible for all utility services provided and/or consumed up to the scheduled turnoff date.
3. The outgoing customer is responsible for providing access to the meter so that the utility may obtain a final meter reading.

R14-2-211. Termination of service

A. Nonpermissible reasons to disconnect service

1. A utility may not disconnect service for any of the reasons stated below:
 - a. Delinquency in payment for services rendered to a prior customer at the

premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.

b. Failure of the customer to pay for services or equipment which are not regulated by the Commission.

~~d.c.~~ Failure to pay for a bill to correct a previous underbilling due to an inaccurate meter or meter failure if the customer agrees to pay over a reasonable period of time.

~~e.~~ ~~Nonpayment of a bill related to another class of service.~~

~~e.d.~~ A utility shall not terminate residential service where the customer has an inability to pay and:

i. The customer can establish through medical documentation that, in the opinion of a licensed medical physician, termination would be especially dangerous to the customer's or a permanent resident residing on the customer's premises health, or

ii. Life supporting equipment used in the home that is dependent on utility service for operation of such apparatus, or

iii. Where weather will be especially dangerous to health as defined herein or as determined by the Commission.

~~f.e.~~ Residential service to ill, elderly, or handicapped persons who have an inability to pay will not be terminated until all of the following have been attempted:

i. The customer has been informed of the availability of funds from various government and social assistance agencies of which the utility is aware.

ii. A third party previously designated by the customer has been notified and has not made arrangements to pay the outstanding utility bill.

~~g.f.~~ A customer utilizing the provisions of d.e. or e.f. above may be required to enter into a deferred payment agreement with the utility within ten days after the scheduled termination date.

~~h.~~ ~~Failure to pay the bill of another customer as guarantor thereof.~~

~~i.g.~~ Disputed bills where the customer has complied with the Commission's rules on customer bill disputes.

B. No change.

C. No change.

D. No change.

E. No change.

F. No change.

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION
CHAPTER 2. CORPORATION COMMISSION – FIXED UTILITIES
ARTICLE 16. RETAIL ELECTRIC COMPETITION**

Section

- R14-2-1601. Definitions
- R14-2-1603. Certificates of Convenience and Necessity
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- R14-2-1605. Competitive Services
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- R14-2-1610. Transmission and Distribution Access
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- R14-2-1616. Separation of Monopoly and Competitive Services
- R14-2-1617. Affiliate Transactions
- R14-2-1618. Disclosure of Information

R14-2-1601. Definitions

In this Article, unless the context otherwise requires:

1. No change.
2. "Aggregator" means an entity that combines retail electric customers into a purchasing group.
- ~~2.3.~~ "Bundled Service" means electric service provided as a package to the consumer including all generation, transmission, distribution, ancillary and other services necessary to deliver and measure useful electric energy and power to consumers.
- ~~3.4.~~ "Buy-through" refers to a purchase of electricity by an Affected Utility at wholesale for a particular retail consumer or aggregate of consumers or at the direction of a particular retail consumer or aggregate of consumers.
5. "Competition Transition Charge" (CTC) is a means of recovering Stranded Costs from the customers of competitive services.
6. "Competitive Services" means all aspects of retail electric service except those services specifically defined as "noncompetitive services" pursuant to R14-2-1601(29).
7. "Control Area Operator" is the operator of an electric system or systems, bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the Interconnection.
8. "Consumer Information" is impartial information provided to consumers about competition or competitive and noncompetitive services and is distinct from advertising and marketing.
9. "Current Transformer" (CT) is an electrical device used in conjunction with an electric meter to provide a measurement of energy consumption for metering purposes.

10. "Direct Access Service Request" (DASR) means a form that contains all necessary billing and metering information to allow customers to switch electric service providers. This form must be submitted to the Utility Distribution Company by the customer's Electric Service Provider or the customer.
11. "Delinquent Accounts" means customer accounts with outstanding past due payment obligations that remain unpaid after the due date.
12. "Distribution Primary Voltage" is voltage as defined under the Affected Utility's Federal Energy Regulatory Commission (FERC) Open Access Transmission Tariff, except for Meter Service Providers, for which Distribution Primary Voltage is voltage at or above 600 volts (600V) through and including 25 kilovolts (25 kV).
- 4.13. "Distribution Service" means the delivery of electricity to a retail consumer through wires, transformers, and other devices that are not classified as transmission services subject to the jurisdiction of the Federal Energy Regulatory Commission; Distribution Service excludes Metering Services, Meter Reading Services, and billing and collection services, as those terms are used herein.
~~meters and meter reading.~~
14. "Electronic Data Interchange" (EDI) is the computer-to-computer electronic exchange of business documents using standard formats which are recognized both nationally and internationally.
- 5.15. "Electric Service Provider" (ESP) means a company supplying, marketing, or brokering at retail any of the competitive services described in R14-2-1605 or R14-2-1606, pursuant to a Certificate of Convenience and Necessity.
6. ~~"Eligible Demand" means the total consumer kilowatts of demand which an Affected Utility must make available to competitive generation under the terms of this Article or the consumer kilowatts of demand provided competitively in an~~

~~Affected Utility's distribution territory, whichever is greater.~~

16. "Electric Service Provider Service Acquisition Agreement" or "Service Acquisition Agreement" means a contract between an Electric Service Provider and a Utility Distribution Company to deliver power to retail end users or between an Electric Service Provider and a Scheduling Coordinator to schedule transmission service.
17. "Generation" means the production of electric power or contract rights to the generation of wholesale electric power.
18. "Green Pricing" means a program offered by an Electric Service Provider where customers elect to pay a rate premium for solar-generated electricity.
19. "Independent Scheduling Administrator" (ISA) is a proposed entity, independent of transmission owning organizations, intended to facilitate nondiscriminatory retail direct access using the transmission system in Arizona.
20. "Independent System Operator" (ISO) is an independent organization whose objective is to provide nondiscriminatory and open transmission access of the interconnected transmission grid under its jurisdiction, in accordance with the Federal Energy Regulatory Commission principles of independent system operation.
21. "Load Profiling" is a process of estimating a customer's hourly energy consumption based on measurements of similar customers.
22. "Load-Serving Entity" means an Electric Service Provider, Affected Utility or Utility Distribution Company, excluding a Meter Reading Service or Meter Reading Service Provider, or Aggregators.
23. "Meter Reading Service" means all functions related to the collection and storage of consumption data for non-Standard Offer and other customers of noncompetitive electric services.

24. "Meter Reading Service Provider" (MRSP) means an entity providing Meter Reading Service, as that term is defined herein and that reads meters, performs validation, editing, and estimation on raw meter data to create validated meter data; translates validated data to an approved format; posts this data to a server for retrieval by billing agents; manages the server; exchanges data with market participants; and stores meter data for problem resolution.
25. "Meter Service Provider" (MSP) means an entity providing Metering Service, as that term is defined herein.
26. "Metering and Metering Service" means all functions related to measuring electricity consumption.
27. "Must-Run Generating Units" are those units that are required to run to maintain system reliability and meet load requirements in times of congestion on certain portions of the interconnected transmission grid.
28. "Net Metering" or "Net Billing" is a method by which customers can use electricity from customer-sited solar electric generators to offset electricity purchased from an Electric Service Provider. The customer only pays for the "Net" electricity purchased.
29. "Noncompetitive Services" means distribution service and Standard Offer service. All components of Standard Offer service shall be deemed noncompetitive as long as those components are provided in a bundled transaction pursuant to R14-2-1606(A).
30. "OASIS" is Open Access Same-Time Information System, which is an electronic bulletin board where transmission-related information is posted for all interested parties to access via the Internet to enable parties to engage in transmission transactions.
31. "Operating Reserve" means the generation capability above firm system demand

used to provide for regulation, load forecasting error, equipment forced and scheduled outages, and local area protection to provide system reliability.

32. "Potential Transformer" (PT) is an electrical device used to step down primary voltages to 120V for metering purposes.
33. "Retail Electric Customer" means the person or entity in whose name service is rendered.
34. "Scheduling Coordinator" means an entity that provides schedules for power transactions over transmission or distribution systems to the party responsible for the operation and control of the transmission grid, such as a Control Area Operator, Independent Scheduling Administrator or Independent System Operator.
35. "Self-Aggregation" is the action of a retail electric customer that combines its own metered loads into a single purchase block.
36. "Solar Electric Fund" is the funding mechanism established by this Article through which deficiency payments are collected and solar energy projects are funded in accordance with this Article.
- ~~7-37.~~ "Standard Offer" means Bundled Service offered to all consumers by an Affected Utility or a Utility Distribution Company in a designated area at regulated rates.
- ~~8-38.~~ "Stranded Cost" includes: means:
 - a. The verifiable net difference between:
 - ~~a-i.~~ The value of all the prudent jurisdictional assets and obligations necessary to furnish electricity (such as generating plants, purchased power contracts, fuel contracts, and regulatory assets), acquired or entered into prior to the adoption of this Article, under traditional regulation of Affected Utilities; and
 - ~~b-ii.~~ The market value of those assets and obligations directly

attributable to the introduction of competition under this Article;

- b. Reasonable costs necessarily incurred by an Affected Utility to effectuate divestiture of its generation assets;
 - c. Reasonable employee severance and retraining costs necessitated by electric competition, where not otherwise provided.
- ~~9.39.~~ "System Benefits" means Commission-approved utility low income, demand side management, environmental, renewables, and nuclear power plant decommissioning programs.
- ~~40.~~ "Transmission Primary Voltage" is voltage above 25 kV as it relates to metering transformers.
- ~~41.~~ "Transmission Service" refers to the transmission of electricity to retail electric customers or to electric distribution facilities and that is so classified by the Federal Energy Regulatory Commission or, to the extent permitted by law, so classified by the Arizona Corporation Commission.
- ~~10.42.~~ "Unbundled Service" means electric service elements provided and priced separately, including, but not limited to, such service elements as generation, transmission, distribution, metering, meter reading, billing and collection and ancillary services. Unbundled Service may be sold to consumers or to other Electric Service Providers.
- ~~43.~~ "Utility Distribution Company" (UDC) means the electric utility entity that constructs and maintains the distribution system for the delivery of power to the end user.
- ~~44.~~ "Utility Industry Group" (UIG) refers to a utility industry association that establishes national standards for data formats.
- ~~45.~~ "Universal Node Identifier" is a unique, permanent, identification number assigned to each service delivery point.

R14-2-1603. Certificates of Convenience and Necessity

- A. Any Electric Service Provider intending to supply services described in R14-2-1605 or R-14-2-1606, other than services subject to federal jurisdiction, shall obtain a Certificate of Convenience and Necessity from the Commission pursuant to this Article; ~~however, A~~ Certificate is not required to offer information services, or billing and collection services, or self aggregation. An Affected Utility need not apply for a Certificate of Convenience and Necessity to continue to provide electric service in its service area during the transition period set forth in R14-2-1604. An Affected Utility providing distribution and Standard Offer service after January 1, 2001 need not apply for a Certificate of Convenience and Necessity. All other Affected Utility affiliates created in compliance with R14-2-1616(A) shall be required to apply for appropriate Certificates of Convenience and Necessity. An Affected Utility does not need to apply for a Certificate of Convenience and Necessity for any service provided as of the date of adoption of this Article within its distribution service territory.
- B. Any company desiring such a Certificate of Convenience and Necessity shall file with the Docket Control Center the required number of copies of an application. ~~Such Certificates shall be restricted to geographical areas served by the Affected Utilities as of the date this Article is adopted and to service areas added under the provisions of R14-2-1611. In~~ support of the request for a Certificate of Convenience and Necessity, the following information must be provided:
1. A description of the electric services which the applicant intends to offer;
 2. The proper name and correct address of the applicant, and
 - a. The full name of the owner if a sole proprietorship,
 - b. The full name of each partner if a partnership,
 - c. A full list of officers and directors if a corporation, or
 - d. A full list of the members if a limited liability corporation;

3. A tariff for each service to be provided that states the maximum rate and terms and conditions that will apply to the provision of the service;
 4. A description of the applicant's technical ability to obtain and deliver electricity if appropriate and provide any other proposed services;
 5. Documentation of the financial capability of the applicant to provide the proposed services, including the most recent income statement and balance sheet, the most recent projected income statement, and other pertinent financial information. Audited information shall be provided if available;
 6. A description of the form of ownership (for example, partnership, corporation);
 7. All relevant tax licenses from lawful taxing authorities within the State of Arizona;
 - 7.8. Such other information as the Commission or the staff may request.
- C.** The applicant shall report in a timely manner during the application process any change(s) in the information initially reported to the Commission in the application for a Certificate of Convenience and Necessity.
- D.** The applicant shall provide public notice of the application as required by the Commission.
- ~~C-E.~~** At the time of filing for a Certificate of Convenience and Necessity, each applicant shall notify the Affected Utilities or Utility Distribution Companies in whose service territories it wishes to offer service of the application by serving notification ~~a complete copy~~ of the application on the Affected Utilities or Utility Distribution Companies. Each applicant shall provide written notice to the Commission that it has provided notification to each of the respective Affected Utilities or Utility Distribution Companies at the time of application.
- F.** The Commission may issue a Certificate of Convenience and Necessity that is effective for a specified period of time if the applicant has limited or no experience in providing

the retail electric service that is being requested. An applicant receiving such approval shall have the responsibility to apply for appropriate extensions.

D.G. The Commission may deny certification to any applicant who:

1. Does not provide the information required by this Article;
2. Does not possess adequate technical or financial capabilities to provide the proposed services;
3. Does not have Electric Service Provider Service Acquisition Agreement(s) with a Utility Distribution Company and Scheduling Coordinator, if the applicant is not its own Scheduling Coordinator;
- 3.4. Fails to provide a performance bond, if required;
5. Fails to demonstrate that its certification will serve the public interest;
6. Fails to submit an executed Service Acquisition Agreement for approval by the Director of Utilities prior to the offering of service to potential customers.

A Request for approval of an executed Service Acquisition Agreement may be included with an application for a Certificate of Convenience and Necessity. In all negotiations relative to service acquisition agreements Affected Utilities or their successor entities are required to negotiate in good faith.

E.H. Every Electric Service Provider obtaining a Certificate of Convenience and Necessity under this Article shall obtain certification subject to the following conditions:

1. The Electric Service Provider shall comply with all Commission rules, orders, and other requirements relevant to the provision of electric service and relevant to resource planning;
2. The Electric Service Provider shall maintain accounts and records as required by the Commission;
3. The Electric Service Provider shall file with the Director of the Utilities Division all financial and other reports that the Commission may require and in a form and

at such times as the Commission may designate;

4. The Electric Service Provider shall maintain on file with the Commission all current tariffs and any service standards that the Commission shall require;
5. The Electric Service Provider shall cooperate with any Commission investigation of customer complaints;
6. The Electric Service Provider shall obtain all necessary permits and licenses;
7. The Electric Service Provider shall comply with all disclosure requirements pursuant to R14-2-1618;
- ~~7.8.~~ Failure to comply with any of the above conditions may result in rescission of the Electric Service Provider's Certificate of Convenience and Necessity.

~~F.I.~~ In appropriate circumstances, the Commission may require, as a precondition to certification, the procurement of a performance bond sufficient to cover any advances or deposits the applicant may collect from its customers, or order that such advances or deposits be held in escrow or trust.

R14-2-1604. Competitive Phases

A. Each Affected Utility shall make available at least 20% of its 1995 system retail peak demand for competitive generation supply on a first-come, first-served basis as further described in this rule. ~~to all customer classes (including residential and small commercial consumers) not later than January 1, 1999. If data permit, coincident annual peak demand shall be used; otherwise noncoincident peak data may be used.~~

1. All Affected Utility customers with non-coincident peak demand load of 1 MW or greater will be eligible for competitive electric services no later than January 1, 1999. Customers meeting this requirement shall be eligible for competitive services until 20% of the Affected Utility's 1995 system peak demand is served by competition.

- ~~1. No more than 1/2 of the Eligible Demand may be procured by consumers, each of~~

- ~~whose total competitive contract demand is greater than 3 MW.~~
- ~~2. At least 15% of the Eligible Demand shall be reserved for residential consumers.~~
 - ~~3. Aggregation of loads of multiple consumers shall be permitted.~~
- B.** ~~Each Affected Utility shall make available at least 50% of its 1995 system retail peak demand for competitive generation supply to all customer classes (including residential and small commercial consumers) not later than January 1, 2001. If data permit, coincident peak annual demand shall be used; otherwise nonecoincident peak data may be used.~~
- ~~1. No more than 1/2 of the Eligible Demand may be procured by consumers, each of whose total competitive contract demand is greater than 3 MW.~~
 2. Affected Utility customers with single premise non-coincident peak load demands of 40 kW or greater aggregated into a combined load of 1 MW or greater will be eligible for competitive electric services no later than January 1, 1999. Self-aggregation is also allowed pursuant to the minimum and combined load demands set forth in this rule. If peak load data are not available, the 40 kW criterion can be determined to be met if the customer's usage exceeded 16,500 kWh in any month within the last 12 consecutive months. From January 1, 1999, through December 31, 2000, aggregation of new competitive customers will be allowed until such time as 20% of the Affected Utility's 1995 system peak demand is served by competitors. At that point all additional aggregated customers must wait until January 1, 2001 to obtain competitive service.
 - ~~2. At least 30% of the Eligible Demand shall be reserved for residential consumers.~~
 3. Affected Utilities shall notify customers eligible under this subsection of the terms of the subsection no later than October 31, 1998.
 - ~~3. Aggregation of loads of multiple consumers shall be permitted.~~
- B.** As part of the 20% of 1995 system peak demand set forth in R14-2-1604(A), each

Affected Utility shall reserve a residential phase-in program with the following components:

1. A minimum of ½ of 1% of residential customers as of January 1, 1999 will have access to competitive electric services on January 1, 1999. The number of customers eligible for the residential phase-in program shall increase by an additional ½ of 1% every quarter until January 1, 2001.
2. Access to the residential phase-in program will be on a first-come, first-served basis. The Affected Utility shall create and maintain a waiting list to manage the residential phase-in program.
3. Load profiling may be used; however, residential customers participating in the residential phase-in program may choose other metering options offered by their Electric Service Provider consistent with the Commission's rules on metering.
4. Each Affected Utility shall file a residential phase-in program proposal to the Commission for approval by Director, Utilities Division by September 15, 1998. Interested parties will have until September 29, 1998 to comment on any proposal. At a minimum, the residential phase-in program proposal will include specifics concerning the Affected Utility's proposed:
 - a. Process for customer notification of residential phase-in program;
 - b. Selection and tracking mechanism for customers based on first-come, first-served method;
 - c. Customer notification process and other education and information services to be offered;
 - d. Load profiling methodology and actual load profiles, if available; and
 - e. Method for calculation of reserved load.
5. Each Affected Utility shall file quarterly residential phase-in program reports within 45 days of the end of each quarter. As a minimum, these quarterly reports

shall include:

- a. The number of customers and the load currently enrolled in residential phase-in program by energy service provider;
- b. The number of customers currently on the waiting list;
- c. A description and examples of all customer education programs and other information services including the goals of the education program and a discussion of the effectiveness of the programs; and
- d. An overview of comments and survey results from participating residential customers.

C. Each Affected Utility shall file a report by September 15, 1998, detailing possible mechanisms to provide benefits, such as rate reductions of 3% - 5%, to all standard offer customers.

~~C. Prior to 2001, no single consumer shall receive more than 20% of the Eligible Demand in a given year in an Affected Utility's service territory.~~

D. All customers shall be eligible to obtain competitive electric services no later than January 1, 2001.

~~D. Each Affected Utility shall make available all of its retail demand for competitive generation supply not later than January 1, 2003.~~

~~E. By the date indicated in R14 2-1602, Affected Utilities shall propose for Commission review and approval how customers will be selected for participation in the competitive market prior to 2003.~~

~~1. Possible selection methods are 1st come, 1st served; random selection via a lottery among volunteering consumers; or designation of geographic areas.~~

~~2. The method for selecting customers to participate in the competitive market must fairly allow participation by a wide variety of customers of all sizes of loads.~~

E. 3. Subject to the 20% limitation described in subsection (A) of this Section, all Aff

customers who produce or purchase at least 10% of their annual electricity consumption from photovoltaic or solar thermal electric resources installed in Arizona after January 1, 1997 shall be selected for participation in the competitive market if those customers apply for participation in the competitive market. ~~Such participants count toward the minimum requirements in R14-2-1604(A) and R14-2-1604(B).~~

4. ~~The Commission staff shall commence a series of workshops on selection issues within 45 days of the adoption of this Article and staff shall submit a report to the Commission discussing the activities and recommendations of participants in the workshops. The report shall be due not later than 90 days prior to the date indicated in R14-2-1602.~~

F. No change.

G. An Affected Utility, Utility Distribution Company, or Load-Serving entity may, beginning January 1, 2001, engage in buy-throughs with individual or aggregated consumers. Any buy-through contract shall ensure that the consumer pays all non-bypassable charges that would otherwise apply. Any contract for a buy-through effective prior to the date indicated in R14-2-1604(A) must be approved by the Commission.

H. Schedule Modifications for Cooperatives

1. An electric cooperative may request that the Commission modify the schedule described in R14-2-1604(A) through R14-2-1604(E)(~~D~~) so as to preserve the tax exempt status of the cooperative or to allow time to modify contractual arrangements pertaining to delivery of power supplies and associated loans.
2. As part of the request, the cooperative shall propose methods to enhance consumer choice among generation resources.
3. The Commission shall consider whether the benefits of modifying the schedule exceed the costs of modifying the schedule.

R14-2-1605. Competitive Services

A properly certificated Electric Service Provider may offer any of the following services under bilateral or multilateral contracts with retail consumers:

- A. No change.
- B. Any service described in R14-2-1606, except Distribution Service, Standard Offer Service and ~~except~~ services required by the Federal Energy Regulatory Commission to be monopoly services. Billing and collection services, information services, and self-aggregation services do not require a Certificate of Convenience and Necessity. Aggregation of retail electric customers into a purchasing group is considered to be a competitive service.

R14-2-1606. Services Required To Be Made Available ~~by Affected Utilities~~

- A. ~~Until the Commission determines that competition has been substantially implemented for a particular class of consumers (residential, commercial, industrial) so that all consumers in that class have an opportunity to participate in the competitive market, and until all Stranded Costs pertaining to that class of customers have been recovered, each~~ Each Affected Utility shall make available to all consumers in that class in its service area, as defined on the date indicated in R14-2-1602, Standard Offer bundled generation, transmission, ancillary, distribution, and other necessary services at regulated rates. After January 1, 2001 Standard Offer service shall be provided by Utility Distribution Companies who shall also act as providers of last resort.
 - 1. ~~An Affected Utility may request that the Commission determine that competition has been substantially implemented to allow discontinuation of Standard Offer service and shall provide sufficient documentation to support its request.~~
 - 2. ~~The Commission may, on its own motion, investigate whether competition has been substantially implemented and whether Standard Offer service may be discontinued.~~

B. After January 1, 2001, power purchased by a Utility Distribution Company to serve standard offer customers, except purchases made through spot markets, shall be acquired through competitive bid. Any resulting contract in excess of 12 months shall contain provisions allowing the Utility Distribution Company to ratchet down its power purchases. A Utility Distribution Company may request that the Commission modify any provision of this subsection for good cause.

~~B.C.~~ Standard Offer Tariffs

1. By the date indicated in R14-2-1602, each Affected Utility may file proposed tariffs to provide Standard Offer Bundled Service and such rates shall not become effective until approved by the Commission. If no such tariffs are filed, rates and services in existence as of the date in R14-2-1602 shall constitute the Standard Offer.
2. Affected Utilities may file proposed revisions to such rates. It is the expectation of the Commission that the rates for Standard Offer service will not increase, relative to existing rates, as a result of allowing competition. Any rate increase proposed by an Affected Utility for Standard Offer service must be fully justified through a rate case proceeding.
3. Such rates shall reflect the costs of providing the service.
4. Consumers receiving Standard Offer service are eligible for potential future rate reductions authorized by the Commission, such as reductions authorized in Decision No. 59601.

~~C.D.~~ By the date indicated in R14-2-1602, each Affected Utility shall file Unbundled Service tariffs to provide the services listed below to the extent allowed by these rules to all eligible purchasers on a nondiscriminatory basis. Other entities seeking to provide any of these services must also file tariffs consistent with these rules:

1. Distribution Service;

2. Metering and Meter Reading Services ~~meter reading services~~;
3. Billing and collection services;
4. Open access transmission service (as approved by the Federal Energy Regulatory Commission, if applicable);
5. Ancillary services in accordance with Federal Energy Regulatory Commission Order 888 (III FERC Stats. & Regs. paragraph 31,036, 1996) incorporated herein by reference;
6. Information services such as provision of customer information to other Electric Service Providers;
7. Other ancillary services necessary for safe and reliable system operation.

D.E. To manage its risks, an Affected Utility may include in its tariffs deposit requirements and advance payment requirements for Unbundled Services.

E.F. The Affected Utilities must provide transmission and ancillary services according to the following guidelines:

1. Services must be provided consistent with applicable tariffs filed with the Federal Energy Regulatory Commission.
2. Unless otherwise required by federal regulation, Affected Utilities must accept power and energy delivered to their transmission systems by others and offer transmission and related services comparable to services they provide to themselves.

F.G. Customer Data

1. Upon written authorization by the customer, an Electric Service Provider shall release in a timely and useful manner that customer's demand and energy data for the most recent 12 month period to a customer-specified Electric Service Provider.
2. The Electric Service Provider requesting such customer data shall provide an

accurate account number for the customer.

3. The form of data shall be mutually agreed upon by the parties and such data shall not be unreasonably withheld.
4. Utility Distribution Companies shall be allowed access to the Meter Reading Service Provider service for customers served by the Utility Distribution Company's distribution system.

G.H. Rates for Unbundled Services

1. The Commission shall review and approve rates for services listed in R14-2-1606(D)(C) and requirements listed in R14-2-1606(E)(D), where it has jurisdiction, before such services can be offered.
2. Such rates shall reflect the costs of providing the services.
3. Such rates may be downwardly flexible if approved by the Commission.

H.I. Electric Service Providers offering services under this R14-2-1606 shall provide adequate supporting documentation for their proposed rates. Where rates are approved by another jurisdiction, such as the Federal Energy Regulatory Commission, those rates shall be provided to this Commission.

I. ~~Within 90 days of the adoption of this Article, the Commission Staff shall commence a series of workshops to explore issues in the provision of Unbundled Service and Standard Offer service.~~

- ~~1. Parties to be invited to participate in the workshops shall include utilities, consumers, organizations promoting energy efficiency, and other Electric Service Providers.~~
- ~~2. Among the issues to be reviewed in the workshops are: metering requirements; metering protocols; designation of appropriate test years; the nature of adjustments to test year data; de-averaging of rates; service characteristics such as voltage levels; revenue uncertainty; line extension policies; and the need for~~

~~performance bonds.~~

3. ~~A report shall be submitted to the Commission by the staff on the activities and recommendations of the participants in the workshops not later than 60 days prior to the date indicated in R14-2-1602. The Commission shall consider any recommendations regarding Unbundled Service and Standard Offer service tariffs.~~

R14-2-1607. Recovery of Stranded Cost of Affected Utilities

- A. The Affected Utilities shall take every reasonable ~~feasible~~, cost-effective measure to mitigate or offset Stranded Cost by means such as expanding wholesale or retail markets, or offering a wider scope of services for profit, among others.
- B. The Commission shall allow a reasonable opportunity for recovery of unmitigated Stranded Cost by Affected Utilities.
- G.C.** The Affected Utilities shall file estimates of unmitigated Stranded Cost. Such estimates shall be fully supported by analyses and by records of market transactions undertaken by willing buyers and willing sellers.
- ~~C. A working group to develop recommendations for the analysis and recovery of Stranded Cost shall be established.~~
- ~~1. The working group shall commence activities within 15 days of the date of adoption of this Article.~~
- ~~2. Members of the working group shall include representatives of staff, the Residential Utility Consumer Office, consumers, utilities, and other Electric Service Providers. In addition, the Executive and Legislative Branches shall be invited to send representatives to be members of the working group.~~
- ~~3. The working group shall be coordinated by the Director of the Utilities Division of the Commission or by his or her designee.~~
- H.D.** An Affected Utility shall request Commission approval, on or before August 24, 1998, of

distribution charges or other means of recovering unmitigated Stranded Cost from customers who reduce or terminate service from the Affected Utility as a direct result of competition governed by this Article, or who obtain lower rates from the Affected Utility as a direct result of the competition governed by this Article.

D. ~~In developing its recommendations, the working group shall consider at least the following factors:~~

- ~~1. The impact of Stranded Cost recovery on the effectiveness of competition;~~
- ~~2. The impact of Stranded Cost recovery on customers of the Affected Utility who do not participate in the competitive market;~~
- ~~3. The impact, if any, on the Affected Utility's ability to meet debt obligations;~~
- ~~4. The impact of Stranded Cost recovery on prices paid by consumers who participate in the competitive market;~~
- ~~5. The degree to which the Affected Utility has mitigated or offset Stranded Cost;~~
- ~~6. The degree to which some assets have values in excess of their book values;~~
- ~~7. Appropriate treatment of negative Stranded Cost;~~
- ~~8. The time period over which such Stranded Cost charges may be recovered. The Commission shall limit the application of such charges to a specified time period;~~
- ~~9. The ease of determining the amount of Stranded Cost;~~
- ~~10. The applicability of Stranded Cost to interruptible customers;~~
- ~~11. The amount of electricity generated by renewable generating resources owned by the Affected Utility.~~

I.E. The Commission shall, after hearing and consideration of analyses and recommendations presented by the Affected Utilities, staff, and intervenors, determine for each Affected Utility the magnitude of Stranded Cost, and appropriate Stranded Cost recovery mechanisms and charges. In making its determination of mechanisms and charges, the Commission shall consider at least the following factors:

1. The impact of Stranded Cost recovery on the effectiveness of competition;
2. The impact of Stranded Cost recovery on customers of the Affected Utility who do not participate in the competitive market;
3. The impact, if any, on the Affected Utility's ability to meet debt obligations;
4. The impact of Stranded Cost recovery on prices paid by consumers who participate in the competitive market;
5. The degree to which the Affected Utility has mitigated or offset Stranded Cost;
6. The degree to which some assets have values in excess of their book values;
7. Appropriate treatment of negative Stranded Cost;
8. The time period over which such Stranded Cost charges may be recovered. The Commission shall limit the application of such charges to a specified time period;
9. The ease of determining the amount of Stranded Cost;
10. The applicability of Stranded Cost to interruptible customers;
11. The amount of electricity generated by renewable generating resources owned by the Affected Utility.

~~E. The working group shall submit to the Commission a report on the activities and recommendations of the working group no later than 90 days prior to the date indicated in R14 2-1602.~~

J.F. A Competitive Transition Charge (CTC) may be assessed only ~~Stranded Cost may only be recovered from~~ on customer purchases made in the competitive market using the provisions of this Article. Any reduction in electricity purchases from an Affected Utility resulting from self-generation, demand side management, or other demand reduction attributable to any cause other than the retail access provisions of this Article shall not be used to calculate or recover any Stranded Cost from a consumer.

~~F. The Commission shall consider the recommendations and decide what actions, if any, to take based on the recommendations.~~

- G.** Stranded cost shall be recovered from customer classes in a manner consistent with the specific company's current rate treatment of the stranded asset, in order to effect a recovery of stranded cost that is in substantially the same proportion as the recovery of similar costs from customers or customer classes under current rates.
- K.H.** The Commission may order an Affected Utility to file estimates of Stranded Cost and mechanisms to recover or, if negative, to refund Stranded Cost.
- L.I.** The Commission may order regular revisions to estimates of the magnitude of Stranded Cost.

R14-2-1608. System Benefits Charges

- A.** By the date indicated in R14-2-1602, each Affected Utility or Utility Distribution Company shall file for Commission review non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of System Benefits from all consumers located in the Affected Utility's or Utility Distribution Companies' service area who participate in the competitive market. Affected Utilities or Utility Distribution Companies shall file for review of the Systems Benefits Charge every three years. ~~In addition, the Affected Utility may file for a change in the System Benefits charge at any time.~~ The amount collected annually through the System Benefits charge shall be sufficient to fund the Affected Utilities' or Utility Distribution Companies' ~~present~~ Commission-approved low income, demand side management, environmental, renewables, and nuclear fuel disposal and nuclear power plant decommissioning programs in effect from time to time.
- B.** Each Affected Utility or Utility Distribution Company shall provide adequate supporting documentation for its proposed rates for System Benefits.
- C.** An Affected Utility or Utility Distribution Company shall recover the costs of System Benefits only upon hearing and approval by the Commission of the recovery charge and mechanism. The Commission may combine its review of System Benefits charges with its review of filings pursuant to R14-2-1606.

- ~~D. Methods of calculating System Benefits charges shall be included in the workshops described in R14-2-1606 (I).~~

R14-2-1609. Solar Portfolio Standard

- A. Starting on January 1, 1999, any Electric Service Provider selling electricity or aggregating customers for the purpose of selling electricity under the provisions of this Article must derive at least $\frac{1}{2}$ of 1% of the total retail energy sold competitively from new solar resources, whether that solar energy is purchased or generated by the seller. Solar resources include photovoltaic resources and solar thermal resources that generate electricity. New solar resources are those installed on or after January 1, 1997. The solar portfolio standard requirement shall be in effect from January 1, 1999 through December 31, 2008. Effective January 1, 2001, with the start of full competition, the solar portfolio standard shall apply to all retail electricity sold.
- B. Solar portfolio standard after December 31, 2001:
1. Starting on January 1, 2002, any Electric Service Provider selling electricity or aggregating customers for the purpose of selling electricity under the provisions of this Article must derive at least 1% of the total retail energy sold competitively from new solar resources, whether that solar energy is purchased or generated by the seller. Solar resources include photovoltaic resources and solar thermal resources that generate electricity. New solar resources are those installed on or after January 1, 1997.
 2. The Commission may increase ~~change~~ the solar portfolio percentage applicable after December 31, ~~2005~~2001, taking into account, among other factors, the costs of producing solar electricity and the costs of fossil fuel for conventional power plants. Prior to any future increase in the solar portfolio standard percentage, the Commission shall establish a kWh cost impact cap to ensure that costs must decline in order for solar installation rates to increase.

- C. Electric Service Providers shall be eligible for a number of extra credit multipliers that may be used to meet the solar portfolio standard requirements: Any Electric Service Provider certificated under the provisions of this Article shall be able to credit 2 times the electric energy it generated, or caused to be generated under contract, before January 1, 1999 using photovoltaics or solar thermal resources installed on or after January 1, 1997 in Arizona to the electric energy requirements of R14 2 1609(A) or (B).

1. Early Installation Extra Credit Multiplier: For new solar electric systems installed and operating prior to December 31, 2003, Electric Service Providers would qualify for multiple extra credits for kWh produced for 5 years following operational start-up of the solar electric system. The 5-year extra credit would vary depending upon the year in which the system started up, as follows:

<u>YEAR</u>	<u>EXTRA CREDIT MULTIPLIER</u>
<u>1997</u>	<u>.5</u>
<u>1998</u>	<u>.5</u>
<u>1999</u>	<u>.5</u>
<u>2000</u>	<u>.4</u>
<u>2001</u>	<u>.3</u>
<u>2002</u>	<u>.2</u>
<u>2003</u>	<u>.1</u>

The Early Installation Extra Credit Multiplier would end in 2003.

2. Solar Economic Development Extra Credit Multipliers: There are 2 equal parts to this multiplier, an in-state installation credit and an in-state content multiplier.
- a. In-State Power Plant Installation Extra Credit Multiplier: Solar electric power plants installed in Arizona shall receive a .5 extra credit multiplier.
- b. In-State Manufacturing and Installation Content Extra Credit Multiplier: Solar electric power plants shall receive up to a .5 extra credit multiplier

related to the manufacturing and installation content that comes from Arizona. The percentage of Arizona content of the total installed plant cost shall be multiplied by .5 to determine the appropriate extra credit multiplier. So, for instance, if a solar installation included 80% Arizona content, the resulting extra credit multiplier would be .4 (which is .8 X .5).

3. Distributed Solar Electric Generator and Solar Incentive Program Extra Credit Multiplier: Any distributed solar electric generator that meets more than one of the eligibility conditions will be limited to only one .5 extra credit multiplier from this subsection. Appropriate meters will be attached to each solar electric generator and read at least once annually to verify solar performance.

- a. Solar electric generators installed at or on the customer premises in Arizona. Eligible customer premises locations will include both grid-connected and remote, non-grid-connected locations. In order for Electric Service Providers to claim an extra credit multiplier, the Electric Service Provider must have contributed at least 10% of the total installed cost or have financed at least 80% of the total installed cost.
- b. Solar electric generators located in Arizona that are included in any Electric Service Provider's Green Pricing program.
- c. Solar electric generators located in Arizona that are included in any Electric Service Provider's Net Metering or Net Billing program.
- d. Solar electric generators located in Arizona that are included in any Electric Service Provider's solar leasing program.
- e. All Green Pricing, Net Metering, Net Billing, and solar leasing programs must have been reviewed and approved by the Director of the Utilities Division in order for the Electric Service Provider to accrue extra credit multipliers from this subsection.

4. All multipliers are additive, allowing a maximum combined extra credit multiplier of 2.0 in years 1997-2003, for equipment installed and manufactured in Arizona and either installed at customer premises or participating in approved solar incentive programs. So, if an Electric Service Provider qualifies for a 2.0 extra credit multiplier and it produces 1 solar kWh, the Electric Service Provider would get credit for 3 solar kWh (1 produced plus 2 extra credit).

D. No Change.

E. If an Electric Service Provider selling electricity under the provisions of this Article fails to meet the requirement in R14-2-1609(A) or (B) in any year, the Commission ~~shall~~ may impose a penalty requirement on that Electric Service Provider that the Electric Service Provider pay an amount equal up to 30¢ per kWh to the Solar Electric Fund for deficiencies in the provision of solar electricity energy. This Solar Electric Fund will be established and utilized to purchase solar electric generators or solar electricity in the following calendar year for the use by public entities in Arizona such as schools, cities, counties, or state agencies. Title to any equipment purchased by the Solar Electric Fund will be transferred to the public entity. In addition, if the provision of solar energy is consistently deficient, the Commission may void an Electric Service Provider's contracts negotiated under this Article.

1. The Director of the Utilities Division shall establish a Solar Electric Fund in 1999 to receive deficiency payments and finance solar electricity projects.

2. The Director of the Utilities Division shall select an independent administrator for the selection of projects to be financed by the Solar Electric Fund. A portion of the Solar Electric Fund shall be used for administration of the Fund and a designated portion of the Fund will be set aside for ongoing operation and maintenance of projects financed by the Fund.

F. Photovoltaic or solar thermal electric resources that are located on the consumer's

premises shall count toward the solar portfolio standard applicable to the current Electric Service Provider serving that consumer.

- G.** Any solar electric generators installed by an Affected Utility to meet the solar portfolio standard shall be counted toward meeting described in this section is in addition to renewable resource goals for Affected Utilities established in Decision No. 58643.
- H.** Any Electric Service Provider or independent solar electric generator that produces or purchases any solar kWh in excess of its annual portfolio requirements may save or bank those excess solar kWh for use or sale in future years. Any eligible solar kWh produced subject to this rule may be sold or traded to any Electric Service Provider that is subject to this rule. Appropriate documentation, subject to Commission review, shall be given to the purchasing entity and shall be referenced in the reports of the Electric Service Provider that is using the purchased kWh to meet its portfolio requirements.
- I.** Solar portfolio standard requirements shall be calculated on an annual basis, based upon electricity sold during the calendar year.
- J.** An Electric Service Provider shall be entitled to receive a partial credit against the solar portfolio requirement if the Electric Service Provider or its affiliate owns or makes a significant investment in any solar electric manufacturing plant that is located in Arizona. The credit will be equal to the amount of the nameplate capacity of the solar electric generators produced in Arizona and sold in a calendar year times 2,190 hours (approximating a 25% capacity factor).
- 1.** The credit against the portfolio requirement shall be limited to the following percentages of the total portfolio requirement:
- | | |
|-------------|---|
| <u>1999</u> | <u>Maximum of 50 % of the portfolio requirement</u> |
| <u>2000</u> | <u>Maximum of 50 % of the portfolio requirement</u> |
| <u>2001</u> | <u>Maximum of 25 % of the portfolio requirement</u> |
| <u>2002</u> | <u>Maximum of 25 % of the portfolio requirement</u> |

2003 and on Maximum of 20 % of the portfolio requirement

2. No extra credit multipliers will be allowed for this credit. In order to avoid double-counting of the same equipment, solar electric generators that are used by other Electric Service Providers to meet their Arizona solar portfolio requirements will not be allowable for credits under this Section for the manufacturer/Electric Service Provider to meet its portfolio requirements.

- K. The Director of the Utilities Division shall develop appropriate safety, durability, reliability, and performance standards necessary for solar generating equipment to qualify for the solar portfolio standard. Standards requirements will apply only to facilities constructed or acquired after the standards are publicly issued.

R14-2-1610. Transmission and Distribution Access ~~Spot Markets and Independent System Operation~~

- A. The Affected Utilities shall provide non-discriminatory open access to transmission and distribution facilities to serve all customers. No preference or priority shall be given to any distribution customer based on whether the customer is purchasing power under the Affected Utility's Standard Offer or in the competitive market. Any transmission capacity that is reserved for use by the retail customers of the Affected Utility's Utility Distribution Company shall be allocated among Standard Offer customers and competitive market customers on a pro-rata basis.
- ~~A. The Commission shall conduct an inquiry into spot market development and independent system operation for the transmission system.~~
- B. The Commission supports the development of an Independent System Operator (ISO) or, absent an Independent System Operator, an Independent Scheduling Administrator (ISA).
- ~~B. The Commission may support development of a spot market or independent system operator or operators for the transmission system.~~
- C. The Commission believes that an Independent Scheduling Administrator is necessary in

order to provide non-discriminatory retail access and to facilitate a robust and efficient electricity market. Therefore, those Affected Utilities that own or operate Arizona transmission facilities shall file with the Federal Energy Regulatory Commission for approval of an Independent Scheduling Administrator having the following characteristics:

~~C. The Commission may work with other entities to help establish spot markets and independent system operators.~~

1. The Independent Scheduling Administrator shall calculate Available Transmission Capacity (ATC) for Arizona transmission facilities that belong to the Affected Utilities or other Independent Scheduling Administrator participants, and shall develop and operate an overarching statewide OASIS. ATC calculations will be concurred in by non-FERC jurisdictional utilities.
2. The Independent Scheduling Administrator shall implement and oversee the non-discriminatory application of protocols to ensure statewide consistency for transmission access. These protocols shall include, but are not limited to, protocols for determining transmission system transfer capabilities, committed uses of the transmission system, available transfer capabilities, and Must-Run Generating Units.
3. The Independent Scheduling Administrator shall provide dispute resolution processes that enable market participants to expeditiously resolve claims of discriminatory treatment in the reservation, scheduling, use and curtailment of transmission services.
4. All requests (wholesale, Standard Offer retail, and competitive retail) for reservation and scheduling of the use of Arizona transmission facilities that belong to the Affected Utilities or other Independent Scheduling Administrator participants shall be made to, or through, the Independent Scheduling

Administrator using a single, standardized procedure.

- D.** The Affected Utilities that own or operate Arizona transmission facilities shall file a proposed Independent Scheduling Administrator implementation plan with the Commission by September 1, 1998. The implementation plan shall address Independent Scheduling Administrator governance, incorporation, financing and staffing; the acquisition of physical facilities and staff by the Independent Scheduling Administrator; the schedule for the phased development of Independent Scheduling Administrator functionality; contingency plans to ensure that critical functionality is in place by January 1, 1999; and any other significant issues related to the timely and successful implementation of the Independent Scheduling Administrator.
- E.** Each of the Affected Utilities shall make good faith efforts to develop a regional, multi-state Independent System Operator, to which the Independent Scheduling Administrator should transfer its relevant assets and functions as the Independent System Operator becomes able to carry out those functions.
- F.** It is the intent of the Commission that prudently-incurred costs incurred by the Affected Utilities in the establishment and operation of the Independent Scheduling Administrator, and subsequently the Independent System Operator, should be recovered from customers using the transmission system, including the Affected Utilities' wholesale customers, Standard Offer retail customers, and competitive retail customers on a non-discriminatory basis through Federal Energy Regulatory Commission-regulated prices. Proposed rates for the recovery of such costs shall be filed with the Federal Energy Regulatory Commission and the Commission. In the event that the Federal Energy Regulatory Commission does not permit recovery of prudently incurred Independent Scheduling Administrator costs, the Commission shall authorize Affected Utilities to recover such costs through a distribution surcharge.
- G.** The Commission supports the use of "Scheduling Coordinators" to provide aggregation

of customers' schedules to the Independent Scheduling Administrator and the respective Control Area Operators simultaneously until the implementation of a regional Independent System Operator, at which time the schedules will be submitted to the Independent System Operator. The primary duties of Scheduling Coordinators are to:

1. Forecast their customers' load requirements;
2. Submit balanced schedules (i.e., schedules for which total generation is equal to total load of the Scheduling Coordinator's customers plus appropriate transmission losses) and North American Electric Reliability Council/Western Systems Coordinating Council tags;
3. Arrange for the acquisition of the necessary transmission and ancillary services;
4. Respond to contingencies and curtailments as directed by the Control Area Operators, Independent Scheduling Administrator or Independent System Operator;
5. Actively participate in the schedule checkout process and the settlement processes of the Control Area Operators, Independent Scheduling Administrator or Independent System Operator.

H. The Affected Utilities shall provide services from the Must-Run Generating Units to Standard Offer retail customers and competitive retail customers on a comparable, non-discriminatory basis at regulated prices. The Affected Utilities shall specify the obligations of the Must-Run Generating Units in appropriate sales contracts prior to any divestiture. Under auspices of the Electric System Reliability and Safety Working Group, the Affected Utilities shall develop statewide protocols for pricing and availability of services from Must-Run Generating Units with input from other stakeholders. These protocols shall be presented to the Commission for review and filed with the Federal Energy Regulatory Commission by October 31, 1998.

R14-2-1611. In-State Reciprocity

- A. No change.
- B. No change.
- C. No change.
- D. If an electric utility is an Arizona political subdivision or municipal corporation, then the existing service territory of such electric utility shall be deemed open to competition if the political subdivision or municipality has entered into an intergovernmental agreement with the Commission that establishes nondiscriminatory terms and conditions for Distribution Services and other Unbundled Services, provides a procedure for complaints arising therefrom, and provides for reciprocity with Affected Utilities or their affiliates. The Commission shall conduct a hearing to consider any such intergovernmental agreement.
- E. An Affiliate of an Arizona electric utility which is not an Affected Utility shall not be allowed to compete in the service territories of Affected Utilities unless the Affiliate's parent company, the non-affected electric utility, submits a statement to the Commission indicating that the parent company will voluntarily open its service territory for competing sellers in a manner similar to the provisions of this Article and the Commission makes a finding to that effect.

R14-2-1612. Rates

- A. No change.
- B. No change.
- C. Prior to the date indicated in R14-2-1604(D), competitively negotiated contracts governed by this Article customized to individual customers which comply with approved tariffs do not require further Commission approval. However, all such contracts whose term is 1 year or more and for service of 1 MW or more must be filed with the Director of the Utilities Division as soon as practicable. If a contract does not comply with the provisions of this Article and the Affected Utility's or Electric Service

Provider's approved tariffs, it shall not become effective without a Commission order.
Such contracts shall be kept confidential by the Commission.

- D. Contracts entered into on or after the date indicated in R14-2-1604(D) which comply with approved tariffs need not be filed with the Director of the Utilities Division. If a contract does not comply with the provisions of this Article and the Affected Utility's or the Electric Service Provider's approved tariffs it shall not become effective without a Commission order.
- E. No change.
- F. No change.

R14-2-1613. Service Quality, Consumer Protection, Safety, and Billing Requirements

- A. Except as indicated elsewhere in this Article, R14-2-201 through R14-2-212 inclusive are adopted in this Article by reference. However, where the term "utility" is used in R14-2-201 through R14-2-212, the term "utility" shall pertain to Electric Service Providers providing the services described in each paragraph of R14-2-201 through R14-2-212. R14-2-203(E) and R14 2 212 (G)(2) shall pertain only to Affected Utilities. R14 2 212 (G)(4) shall apply only to Affected Utilities. R14-2-212(H) shall pertain only to Utility Distribution Companies ~~Electric Service Providers who provide distribution service.~~
- B. The following shall not apply to this Article:
1. R14-2-202 in its entirety,
 2. R14-2-206 in its entirety,
 3. R14-2-207 in its entirety,
 - ~~2.4.~~ R14-2-212 (F)(1),
 - ~~3.5.~~ R14-2-213,
 6. R14-2-208(E) and (F).
- C. No consumer shall be deemed to have changed providers ~~suppliers~~ of any service authorized in this Article (including changes from supply by the Affected Utility to

another ~~provider supplier~~) without written authorization by the consumer for service from the new ~~provider supplier~~. If a consumer is switched (or slammed) to a different ("new") ~~provider supplier~~ without such valid written authorization, the new ~~provider supplier~~ shall cause service by the previous ~~provider supplier~~ to be resumed and the new ~~provider supplier~~ shall bear all costs associated with switching the consumer back to the previous ~~provider supplier~~. A written authorization that is obtained by deceit or deceptive practices shall not be deemed a valid written authorization. Providers shall submit reports within 30 days of the end of each calendar quarter to the Commission itemizing the direct complaints filed by customers who have had their Electric Service Providers changed without their authorization. Violations of the Commission's rules concerning slamming may result in fines and penalties, including but not limited to suspension or revocation of the provider's certificate.

- D. Each Electric Service Provider providing service governed by this Article shall be responsible for meeting applicable reliability standards and shall work cooperatively with other companies with whom it has interconnections, directly or indirectly, to ensure safe, reliable electric service. Utility Distribution Companies shall make reasonable efforts to notify customers of scheduled outages, and also provide notification to the Commission.
- E. Each Electric Service Provider shall provide at least 45 ~~30~~ days notice to all of its affected consumers of its intent to cease providing ~~if it is no longer obtaining~~ generation, transmission, distribution, or ancillary services necessitating that the consumer obtain service from another supplier of generation, transmission, distribution, or ancillary services.
- F. No change.
- G. No change.
- H. Electric Service Providers shall give at least 5 days notice to their customer of scheduled return to the Standard Offer, but that return of that customer to the Standard Offer would

be at the next regular billing cycle. Responsibility for charges incurred between the notice and the next scheduled read date shall rest with the Electric Service Provider.

H.I. Each Electric Service Provider shall ensure that bills rendered on its behalf include its address and the toll free telephone numbers for billing, service, and safety inquiries. The bill must also include the address and toll free telephone numbers for the Phoenix and Tucson Consumer Service Sections of the Arizona Corporation Commission Utilities Division and the telephone number of the Consumer Services Section of the Arizona Corporation Commission Utilities Division. Each Electric Service Provider shall ensure that billing and collections services rendered on its behalf comply with R14-2-1613(A) ~~and (B).~~

I.J. Additional Provisions for Metering and Meter Reading Services

1. An Electric Service Provider who provides metering or meter reading services pertaining to a particular consumer shall provide access to meter readings to other Electric Service Providers serving that same consumer.
2. Any person or entity ~~A consumer or an Electric Service Provider~~ relying on metering information provided by another Electric Service Provider may request a meter test according to the tariff on file and approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter testing fee will be charged.
3. Each competitive customer shall be assigned a Universal Node Identifier for each service delivery point by the Affected Utility or the Utility Distribution Company whose distribution system serves the customer.
3. ~~Protocols for metering shall be developed subsequent to the workshops described in R14-2-1606(I).~~
4. All competitive metered and billing data shall be translated into a consistent, statewide Electronic Data Interchange (EDI) format based on standards approved

by the Utility Industry Group (UIG) that can be used by the Affected Utility or the Utility Distribution Company and the Electric Service Provider.

5. Electronic Data Interchange shall be used for all data exchange transactions from the Meter Reading Service Provider to the Electric Service Provider, Utility Distribution Company, and Schedule Coordinator. This data will be transferred via the Internet using a secure sockets layer or other electronic media.
6. Minimum metering requirements for competitive customers over 20 kW, or 100,000 kWh annually, should consist of hourly consumption measurement meters or meter systems.
7. Competitive customers with hourly loads of 20 kW (or 100,000 kWh annually) or less, will be permitted to use load profiling to satisfy the requirements for hourly consumption data.
8. Meter ownership will be limited to the Affected Utility, Utility Distribution Company, and the Electric Service Provider, or the customer, who will obtain the meter from the Affected Utility, or Utility Distribution Company or an Electric Service Provider.
9. Maintenance and servicing of the metering equipment will be limited to the Affected Utility, Utility Distribution Company and the Electric Service Provider or their representative.
10. Distribution primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility, Utility Distribution Company and the Electric Service Provider or their representative.
11. Transmission primary voltage Current Transformers and Potential Transformers may be owned by the Affected Utility or Utility Distribution Company only.
12. North American Electric Reliability Council recognized holidays will be used in calculating "working days" for meter data timeliness requirements.

13. The operating procedures approved by the Director of Utilities will be used by the Utility Distribution Companies and the Meter Service Providers for performing work on primary metered customers.
14. The rules approved by the Director of Utilities will be used by the Meter Reading Service Provider for validating, editing, and estimating metering data.
15. The performance metering specifications and standards approved by the Director of Utilities will be used by all entities performing metering.

J.K. Working Group on System Reliability and Safety

1. ~~If it has not already done so,~~ The Commission shall establish, by separate order, a working group to monitor and review system reliability and safety.
 - a. The working group may establish technical advisory panels to assist it.
 - ~~e.b.~~ Members of the working group shall include representatives of staff, consumers, the Residential Utility Consumer Office, utilities, other Electric Service Providers and organizations promoting energy efficiency. In addition, the Executive and Legislative Branches shall be invited to send representatives to be members of the working group.
 - ~~b.~~ ~~The working group shall commence activities within 15 days of the date of adoption of this Article.~~
 - ~~d.c.~~ The working group shall be coordinated by the Director of the Utilities Division of the Commission or by his or her designee.
2. All Electric Service Providers governed by this Article shall cooperate and participate in any investigation conducted by the working group, including provision of data reasonably related to system reliability or safety.
3. The working group shall report to the Commission on system reliability and safety regularly, and shall make recommendations to the Commission regarding improvements to reliability or safety.

K.L. Electric Service Providers shall comply with applicable reliability standards and practices established by the Western Systems Coordinating Council and the North American Electric Reliability Council or successor organizations.

L.M. Electric Service Providers shall provide notification and informational materials to consumers about competition and consumer choices, such as a standardized description of services, as ordered by the Commission.

N. Unbundled Billing Elements

All customer bills after January 1, 1999 will list, at a minimum, the following billing cost elements:

1. Electricity Costs

- a.** Generation
- b.** Competition Transition Charge
- c.** Fuel or purchased power adjustor, if applicable

2. Delivery costs

- a.** Distribution services
- b.** Transmission services
- c.** Ancillary services

3. Other Costs

- a.** Metering Service
- b.** Meter Reading Service
- c.** Billing and collection
- d.** System Benefits charge

O. The operating procedures approved by the Director of Utilities will be used for Direct Access Service Requests as well as other billing and collection transactions.

R14-2-1614. Reporting Requirements

A. Reports covering the following items, as applicable, shall be submitted to the Director of the Utilities Division by Affected Utilities or Utility Distribution Companies and all Electric Service Providers granted a Certificate of Convenience and Necessity pursuant to this Article. These reports shall include the following information pertaining to competitive service offerings, Unbundled Services, and Standard Offer services in Arizona:

1. Type of services offered;
2. kW and kWh sales to consumers, disaggregated by customer class (for example, residential, commercial, industrial);
3. Solar energy sales (kWh) and sources for grid connected solar resources; kW capacity for off-grid solar resources;
4. Revenues from sales by customer class (for example, residential, commercial, industrial);
5. Number of retail customers disaggregated as follows: ~~aggregators~~, residential, commercial under 40 kW, commercial 41 to 999 kW, ~~100 kW~~, ~~commercial 100 kW to 2999 kW~~, commercial 1000 3000 kW or more, industrial less than 1000 3000 kW, industrial 1000 3000 kW or more, agricultural (if not included in commercial), and other;
6. Retail kWh sales and revenues disaggregated by term of the contract (less than 1 year, 1 to 4 years, longer than 4 years), and by type of service (for example, firm, interruptible, other);
7. Amount of and revenues from each service provided under R14-2-1605, and, if applicable, R14-2-1606;
8. Value of all ~~Arizona specific~~ assets used to serve Arizona customers and accumulated depreciation;

9. Tabulation of Arizona electric generation plants owned by the Electric Service Provider broken down by generation technology, fuel type, and generation capacity;

10. The number of customers aggregated and the amount of aggregated load;

~~10-11.~~ Other data requested by staff or the Commission;

~~11-12.~~ In addition, prior to the date indicated in R14-2-1604(D), Affected Utilities shall provide data demonstrating compliance with the requirements of R14-2-1604.

B. No change.

C. No change.

D. No change.

E. No change.

F. No change.

G. No change.

R14-2-1615. Administrative Requirements

A. Any Electric Service Provider certificated under this Article may file proposed ~~propose~~ additional tariffs for electric services at any time ~~by filing a proposed tariff with the Commission describing~~ which include a description of the service, maximum rates, terms and conditions. The proposed new ~~electrical~~ service may not be provided until the Commission has approved the tariff.

B. No change.

C. No change.

D. No change.

R14-2-1616. Separation of Monopoly and Competitive Services

A. All competitive generation assets and competitive services shall be separated from an Affected Utility prior to January 1, 2001. Such separation shall either be to an unaffiliated party or to a separate corporate affiliate or affiliates. If an Affected Utility

chooses to transfer its competitive generation assets or competitive services to a competitive electric affiliate, such transfer shall be at a value determined by the Commission to be fair and reasonable.

B. Beginning January 1, 1999, an Affected Utility or Utility Distribution Company shall not provide competitive services as defined herein, except as otherwise authorized by these rules or by the Commission. However, this rule does not preclude an Affected Utility's or Utility Distribution Company's affiliate from providing competitive services. Nor does this rule preclude an Affected Utility or Utility Distribution Company from billing its own customers for distribution service, or for providing billing services to Electric Service Providers in conjunction with their own billing. Nor does this rule require an Affected Utility or Utility Distribution Company to separate such assets or services utilized in these circumstances.

C. An Electric Distribution Cooperative is not subject to the provisions of this rule except if it offers competitive electric services outside of the service territory it had as of the effective date of these rules.

~~R14-2-1616. Legal Issues~~

~~A. A working group to identify, analyze and provide recommendations to the Commission on legal issues relevant to this Article shall be established.~~

- ~~1. The working group shall commence activities within 15 days of the date of adoption of this Article.~~
- ~~2. Members of the working group shall include representatives of staff, the Residential Utility Consumer Office, consumers, utilities, and other Electric Service Providers. In addition, the Executive and Legislative Branches and the Attorney General shall be invited to send representatives to be members of the working group.~~
- ~~3. The working group shall be coordinated by the Director of the Legal Division of~~

~~the Commission or by his or her designee.~~

- ~~B. The working group shall submit to the Commission a report on the activities and recommendations of the working group no later than 90 days prior to the date indicated in R14-2-1602.~~
- ~~C. The Commission shall consider the recommendations and decide what actions, if any, to take based on the recommendations.~~

R14-2-1617. Affiliate Transactions

A. Separation

An Affected Utility or Utility Distribution Company and its affiliates shall operate as separate corporate entities. Books and records shall be kept separate, in accordance with applicable Uniform System of Accounts (USOA) and Generally Accepted Accounting Procedures (GAAP). The books and records of any utility affiliate shall be open for examination by the Commission and its staff consistent with the provisions set forth in R14-2-1614. All proprietary information shall remain confidential.

1. An Affected Utility or Utility Distribution Company shall not share office space, equipment, services, and systems with its competitive electric affiliates, nor access any computer or information systems of one another, except to the extent appropriate to perform shared corporate support functions permitted under subsection (A)(2). An Affected Utility or Utility Distribution Company shall not share office space, equipment, services, and systems with its other affiliates without full compensation in accordance with subsection (A)(7).
2. An Affected Utility or Utility Distribution Company, its parent holding company, or a separate affiliate created solely for the purpose of corporate support functions, may share with its affiliates joint corporate oversight, governance, support systems and personnel. Any shared support shall be priced, reported and conducted in accordance with all applicable Commission pricing and reporting

requirements. An Affected Utility or Utility Distribution Company shall not use shared corporate support functions as a means to transfer confidential information, allow preferential treatment, or create significant opportunities for cross-subsidization of its affiliates, and shall provide mechanisms and safeguards against such activity in its compliance plan.

3. An affiliate of an Affected Utility or Utility Distribution Company shall not trade, promote, or advertise its affiliation with the Affected Utility or Utility Distribution Company, nor use or make use of the Affected Utility's name or logo in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first instance the Affected Utility or Utility Distribution Company name or logo appears, that:
 - a. The affiliate is not the same company as the Affected Utility or Utility Distribution Company, and
 - b. Customers do not have to buy the affiliate product in order to continue to receive quality regulated services from the Affected Utility or Utility Distribution Company.
4. An Affected Utility or Utility Distribution Company shall not offer or provide to its affiliates advertising space in any customer written communication unless it provides access to all other unaffiliated service providers on the same terms and conditions.
5. An Affected Utility or Utility Distribution Company shall not participate in joint advertising, marketing or sales with its affiliates. Any joint communication and correspondence with an existing customer by an Affected Utility or Utility Distribution Company and its affiliate shall be limited to consolidated billing, when applicable, and in accordance with these rules.
6. Except as provided in subsection A(2), an Affected Utility or Utility Distribution

Company and its affiliate shall not jointly employ the same employees. This rule applies to Board of Directors and corporate officers. However, any board member or corporate officer of a holding company may also serve in the same capacity with the Affected Utility or Utility Distribution Company, or its affiliate, but not both. Where the Affected Utility is a multi-state utility, is not a member of a holding company structure, and assumes the corporate governance functions for its affiliates, the prohibition outlined in this section shall only apply to affiliates that operate within Arizona.

7. Transfer of Goods and Services: To the extent that these rules do not prohibit transfer of goods and services between an Affected Utility or Utility Distribution Company and its affiliates, all such transfers shall be subject to the following price provisions:
 - a. Goods and services provided by an Affected Utility or Utility Distribution Company to an affiliate shall be transferred at the price and under the terms and conditions specified in its tariff. Transfers from an affiliate to its affiliated Utility Distribution Company shall be priced at fair market value.
 - b. Goods and services produced, purchased or developed for sale on the open market by the Affected Utility or Utility Distribution Company will be provided to its affiliates and unaffiliated companies on a nondiscriminatory basis, except as otherwise permitted by these rules or applicable law.
8. No Cross-subsidization: A competitive affiliate of an Affected Utility or Utility Distribution Company shall not be subsidized by any rate or charge for any noncompetitive service, and shall not be provided access to confidential utility information.

B. Access to Information

As a general rule, an Affected Utility, Utility Distribution Company or Electric Service Provider shall provide customer information to its affiliates and nonaffiliates on a non-discriminatory basis, provided prior affirmative customer written consent is obtained. Any non-customer specific non-public information shall be made contemporaneously available by an Affected Utility, Utility Distribution Company or Electric Service Provider to its affiliates and all other service providers on the same terms and conditions.

C. An Affected Utility or Utility Distribution Company shall adhere to the following guidelines:

1. Any list of Electric Service Providers provided by an Affected Utility or Utility Distribution Company to its customers which includes or identifies the Affected Utility's or Utility Distribution Company's competitive electric affiliates must include or identify non-affiliated entities included on the list of those Electric Service Providers authorized by the Commission to provide service within the Affected Utility's or Utility Distribution Company's certificated area. The Commission shall maintain an updated list of such Electric Service Providers and make that list available to Affected Utilities or Utility Distribution Companies at no cost.
2. An Affected Utility or Utility Distribution Company may provide non-public supplier information and data, which it has received from unaffiliated suppliers, to its affiliates or nonaffiliated entities only if the Affected Utility or Utility Distribution Company receives prior authorization from the supplier.
3. Except as otherwise provided in these rules, an Affected Utility or Utility Distribution Company shall not offer or provide customers advice, which includes promoting, marketing or selling, about its affiliates or other service providers.
4. An Affected Utility or Utility Distribution Company shall maintain

contemporaneous records documenting all tariffed and nontariffed transactions with its affiliates, including but not limited to, all waivers of tariff or contract provisions and all discounts. These records shall be maintained for a period of three years, or longer if required by this Commission or another governmental agency.

D. Nondiscrimination

An Affected Utility, Utility Distribution Company, or their affiliates shall not represent that, as a result of the affiliation, customers of such affiliates will receive any treatment different from that provided to other, non-affiliated entities or their customers. An Affected Utility, Utility Distribution Company, or their affiliates shall not provide their affiliates, or customers of their affiliates, any preference over non-affiliated suppliers or their customers in the provision of services. For example:

1. Except when made generally available by an Affected Utility, Utility Distribution Company or their affiliates, through an open competitive bidding process, if the Affected Utility, Utility Distribution Company or their affiliates offers a discount or waives all or any part of any charge or fee to its affiliates, or offers a discount or waiver for a transaction in which their affiliates are involved, the entity shall contemporaneously make such discount or waiver available to all.
2. If a tariff provision allows for discretion in its application, an Affected Utility or Utility Distribution Company shall apply that provision equally among its affiliates and all other market participants and their respective customers.
3. Requests from affiliates and non-affiliated entities and their customers for services provided by the Affected Utility or Utility Distribution Company shall be processed on a non-discriminatory basis.
4. An Affected Utility or Utility Distribution Company shall not condition or otherwise tie the provision of any service provided, nor the availability of

discounts of rates or other charges or fees, rebates or waivers of terms and conditions of any services, to the taking of any goods or services from its affiliates.

5. In the course of business development and customer relations, except as otherwise provided in these rules, an Affected Utility or Utility Distribution Company shall refrain from:

- a. Providing leads to its affiliates;
- b. Soliciting business on behalf of affiliates;
- c. Acquiring information on behalf of, or provide information, to its affiliates;
- d. Sharing market analysis reports or any non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with its affiliates.

E. Compliance Plans

No later than December 31, 1998, each Affected Utility or Utility Distribution Company shall file a compliance plan demonstrating the procedures and mechanisms implemented to ensure that activity prohibited by these rules will not take place. The compliance plan shall be submitted to the Director of Utilities and shall be in effect until a determination is made regarding its compliance under these rules. The compliance plan shall thereafter be submitted annually to reflect any material changes. No later than December 31, 1999, and every year thereafter until December 31, 2002, an Affected Utility or Utility Distribution Company shall have a performance audit prepared by an independent auditor to examine compliance with the rules set forth herein. Such audits shall be filed with the Director of Utilities. After December 31, 2002 the Director of Utilities may request a Utility Distribution Company to conduct such an audit.

F. Waivers

1. Any affected entity may petition the Commission for a waiver by filing a verified application for waiver setting forth with specificity the circumstances whereby the public interest justifies a waiver from all or part of the provisions of this rule.
2. The Commission may grant such application upon a finding that a waiver is in the public interest.

R14-2-1618 Disclosure of Information

A. Each Load-Serving Entity shall prepare a consumer information label that sets forth the following information for customers with a demand of less than 1 MW:

1. Price to be charged for generation services.
2. Average price for generation service for each customer class.
3. Price variability information.
4. Customer service information.
5. Composition of resource portfolio.
6. Fuel mix characteristics of the resource portfolio.
7. Emissions characteristics of the resource portfolio.
8. Time period to which the reported information applies.

B. The Director of the Utilities Division shall develop the format and reporting requirements for the consumer information label to ensure that the information required by subsection (A) is appropriately and accurately reported and to ensure that customers can use the labels for comparisons among Load-Serving Entities. The format developed by the Director of the Utilities Division shall be used by each Load-Serving Entity.

C. Each Load-Serving Entity shall include the information disclosure label in a prominent position in all written marketing materials, including electronically published materials. When a Load-Serving Entity advertises in non-print media, the marketing materials shall indicate that the Load-Serving Entity shall provide the consumer information label to the

public upon request.

D. Each Load-Serving Entity shall prepare an annual disclosure report that aggregates the resource portfolios of the Load-Serving Entity and its affiliates.

E. Each Load-Serving Entity shall prepare a statement of its terms of service that sets forth the following information:

1. Actual pricing structure or rate design according to which the customer will be billed, including an explanation of price variability and price level adjustments that may cause the price to vary;
2. Length and description of the applicable contract and provisions and conditions for early termination by either party;
3. Due date of bills and consequences of late payment;
4. Conditions under which a credit agency is contacted;
5. Deposit requirements and interest on deposits;
6. Limits on warranties and damages;
7. All charges, fees, and penalties;
8. Information on consumer rights pertaining to estimated bills, third party billing, deferred payments, rescission of supplier switches within 3 days of receipt of confirmation;
9. A toll-free telephone number for service complaints;
10. Low income rate eligibility;
11. Provisions for default service;
12. Applicable provisions of state utility laws; and
13. Method whereby customers will be notified of changes to the terms of service.

F. The consumer information label, the disclosure report, and the terms of service shall be distributed in accordance with the following requirements:

1. Prior to the initiation of service for any retail customer,

2. To each retail customer on an annual basis.
3. To any person upon request.
4. Made a part of the annual report required to be filed with the Commission pursuant to law.
5. The information described in this subsection shall be posted on any electronic information medium of the load-serving entities.

G. Failure to comply with the rules on information disclosure or dissemination of inaccurate information may result in suspension or revocation of certification or other penalties as determined by the Commission.

H. The Commission may establish a consumer information advisory panel to review the effectiveness of the provisions of this section and to make recommendations for changes in the rules.